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ABSTRACT

Immigration has historically played an important role in supplying United States labor needs. However, current immigration and immigrant policies emphasize noneconomic selection criteria, such as family reunification, for determining the annual volume and characteristics of legal immigrants. Declining United States fertility rates and an increasing need for professional and skilled labor has prompted policymakers to consider changes in immigrant policies that would respond to the labor market needs of the economy. A greater emphasis on labor market considerations could meet changing demands for labor, minimize negative distributional effects, and speed up the economic and social adjustment of immigrants and their children. However, the following major factors must be considered in developing effective policies: (1) policies must be flexible in order to respond to rapidly changing labor market conditions; (2) policymakers need an informed basis for developing selection criteria that will ensure a match between immigration and manpower needs while avoiding short-term displacement of native workers; and (3) the absence of good information continues to make policy design and evaluation problematic. Statistical data are presented in eight tables and six graphs. An 81-item bibliography is appended. (FMW)

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A RAND NOTE

Meeting the Economy's Labor Needs Through Immigration: Rationale and Challenges

Georges Vernez, Kevin McCarthy

June 1990

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A RAND NOTE

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Meeting the Economy's Labor Needs Through Immigration: Rationale and Challenges

Georges Vernez, Kevin McCarthy

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Prepared for
The Ford Foundation

RAND

PREFACE

This Note is based on a background paper that the authors prepared for discussion by a subcommittee of the Committee on Economic Development (CED). The CED is reviewing the labor market needs of the United States economy of the 1990s and assessing alternative means to meet those needs.

This Note describes the upward trend of immigration in the United States and the desirability and feasibility of current and proposed immigration policies as a management tool for those labor market needs. It relies on work conducted in several projects of the Program for Research on Immigration Policy, a joint venture of The RAND Corporation and The Urban Institute that is supported by The Ford Foundation. Partial funding was also provided by the CED.

This Note is intended for a broad audience with an interest in immigration, immigrant, and/or economic policy issues, including public policymakers, the business community, state and local officials, academic researchers, and others who are concerned with changing U.S. immigration and immigrant policies.

SUMMARY

Immigration has historically played an important role in supplying U.S. labor needs. However, current immigration and immigrant policies emphasize noneconomic selection criteria, such as family reunification, for determining the annual volume and characteristics of legal immigrants. This Note examines the proposition that demographics and changes in the labor market require policymakers to review that emphasis and consider more explicitly how immigration relates to U.S. labor market needs.

LABOR SUPPLY AND CURRENT POLICY

In the United States, declining fertility means that fewer native workers will be entering the labor force. This has raised concern about a shortfall in both the size and skills of the labor supply. Such a shortfall could be alleviated or aggravated depending on the volume and educational and occupational characteristics of future immigrants, both of which depend critically on U.S. immigration policy.

Although present policy seeks to balance humanitarian and economic concerns, family reunion is the dominant criterion for permanent legal entry. Since the end of World War II, the number of legal immigrants has increased steadily and rapidly: an annual average of 150,000 *permanent immigrants* has been added over the last three decades. In 1988, more than 600,000 legal immigrants were admitted. The main reason for this increase was the growth in the number of family reunion immigrants (primarily those whose relationship to a citizen makes them exempt from quotas). The number of permanent immigrants entering under occupational admission categories has been capped at 54,000 a year.

However, the last decade has also witnessed a doubling of the number of *temporary immigrants*. Admitted in various work- or education-related categories, these people include intracompany transferees, students, trainees, exchange visitors, and foreign government officials and their families, mostly from Europe and Asia. They add an estimated

300,000 person/years to the U.S. labor force. The increase in these groups underlines U.S. firms' growing dependence on temporary foreign labor to fill their needs, particularly for professional and skilled labor.

Under whatever dispensation they enter, immigrants are expected to constitute up to 25 percent of the growth in the labor force over the next decade or so. Given their potential effect on the quantity and quality of the labor supply, Congress is considering legislative proposals S 358 in the Senate and HR 672 in the House[1] that are somewhat more responsive to the labor needs of the U.S. economy. With each bill setting the expected floor, legal immigration would increase from the current 600,000 to at least 720,000 yearly (including refugees and asylum seekers) and inflate the proportion of labor market-related immigrants. The current ratio between labor market and other immigrants is 1 to 10; the new ratio would be 1 to 5.

Before legal immigration moves even further in responding to the labor market needs of the economy, policymakers should consider issues in four areas: (1) the range of economic tradeoffs involved, including the possible displacement of native workers by immigrants; (2) the nation's "absorptive capacity"; (3) foreign policy; and (4) administrative challenges.

ECONOMIC TRADEOFFS

There are two key issues in analyzing the effects of a shift to an immigration policy that gives more weight to economic factors. First, how does the human capital that immigrants bring to the labor market compare with that of native workers? Second, how would the human capital of immigrants change under a policy targeted at increasing labor market-related immigration?

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[1]As this Note was printed, Rep. Bruce A. Morrison (D-Connecticut), Chairman of the House Subcommittee on Immigration, Refugees, and International Law, introduced a new bill, HR 4300, which goes even further in seeking to be responsive to the needs of the labor market. This bill does not alter our main conclusions.

Policy and the Human Capital of Immigrants

Too little is known about these issues to provide definitive answers. However, our analysis of the available data suggests two general conclusions. First, although the *average* occupational characteristics of immigrant and native workers are similar, recent legal immigrants are more likely than U.S. workers to be in semiskilled or low-skilled occupations. Second, immigrants currently admitted under occupational-preference categories are generally more highly skilled than those admitted under the family reunion and refugee categories. For example, one of two adults admitted under the occupational preference categories is a professional, compared with one in ten admitted under the family reunion and refugee categories.

Effects on Native Workers and Wages

However they may affect the human capital of immigrants, these policy proposals will also be judged by their effect on native workers. Do immigrants create or take away jobs, and do they increase or decrease the earnings of the native population? Scholars currently have a favorable view of immigration's effects on the U.S. economy. This view contrasts sharply with a prevailing view in the public debate that immigration causes job displacement of native workers.

This disagreement reflects different levels of observation. Studies finding little or no displacement and/or few wage effects are generally based on economywide, aggregate analyses. They measure long-run outcomes of immigrant and intersectorial or geographical adjustments throughout the economy. In contrast, public opinion focuses on the short-term displacement and lower wages in particular industries, occupations, sectors, and regions. It largely ignores the possibility of long-term job creation across industries and regions.

In considering the economic tradeoffs, our review of the literature suggests three implications for policy: First, short-run displacement and/or negative wage effects are not always negligible and cannot be ignored. However, they could be alleviated by appropriate sectorial and skill targeting. In the long-run, however, displacement and wage

dampening effects will tend to be self-correcting as immigrants and natives settle (or resettle) in labor markets where they can garner the highest return.

Second, local displacement and wage effects may be strong. Because these effects occur where there are heavy concentrations of immigrants, the distribution of immigrants is an important concern. In fact, this concentration effect could be somewhat alleviated (but by no means eliminated) through stronger policy emphasis on labor market considerations. People who immigrate under occupational categories are less likely than those who enter for family reunification to settle in areas where earlier immigrants live.

Third, to address these problems, policymakers need to understand how cumulative, sustained waves of immigrants affect specific areas and industries. The first steps for research are to develop and field longitudinal studies following the experiences of immigrants and specific industries. More information is also needed about the nature and magnitude of the tradeoff between immigration and the labor force participation and economic progress of disadvantaged minorities, including blacks, youths, and the disabled.

ABSORPTIVE CAPACITY

In the public debate, a major concern is that the United States may have reached what some observers call its *absorptive capacity*. That capacity is measured by the quantity or quality of immigrants who can be assimilated into the larger society without threatening national values, generating a political backlash, and/or placing unmanageable demands on resources and existing institutions.

Public Attitudes and Immigrant Assimilation

Currently one of the biggest challenges for developing any kind of immigration policy is a negative and seemingly hardening public attitude toward immigrants. Before 1975, 40 percent of those asked responded that legal immigration should be decreased. In the 1980s, this percentage reached about 60 percent. This attitude seems to reflect

several concerns: (1) the "institutionalization" of certain foreign languages within U.S. society, (2) emergence of ethnic enclaves, and (3) further fragmentation of national and local communities into ethnic, racial, and cultural subpopulations. One fear is that these changes will erode the country's ability to reach consensus on vital domestic and international issues.

Studies of immigrant assimilation suggest that these problems are more apparent than real. These heightened public concerns may simply indicate how a new generation in the United States is responding to a large and visible group of new immigrants. But they also may reflect the facts that the current wave of immigrants is the longest and most diverse uninterrupted wave of immigrants in the nation's history (and it is expected to continue at an increasing rate) and that these new immigrants are entering a U.S. society where the values and public services available to them have changed. If not countered by objective and independent information, assumptions and perceptions may increase pressure to limit the number and control the composition of immigrants.

Other Assimilation Issues

Whether or not immigration policy gives greater emphasis to labor market considerations, other issues of assimilation must be considered. The increase in the number and diversity of immigrants has raised new issues, demands, and conflicts concerning education, entitlement benefits, public-sector employment, discrimination, affirmative action, and race relations. These issues are subsumed by the generic question of how far law and public institutions must go in helping immigrants adjust in this country.

Many of these issues cluster in the area of education. In the past, the schools have been the key to the full integration of immigrants and their children in the social, economic, and political life of the country. Today, however, evidence suggests that schools are ill-equipped to respond to the numbers and linguistic diversity of immigrants and their children.

If the economic mobility of immigrants has slowed, as some indicators suggest, the social changes that normally accompany it--lower fertility, residential dispersion, increasing political participation, and the educational mobility of immigrants' children--may also slow. At the same time, the economy has an increasing need for skills and qualifications that are beyond the reach of many immigrants or their native children. All these circumstances suggest the need for public investment to accelerate the educational advancement of immigrants and their children.

Affirmative action is another area that raises assimilation issues. What is to be done when a "protected" minority group becomes a majority, as will increasingly be the case for many localities? Should colleges pursue student diversity? If so, on what grounds--race, ethnicity, or country of origin?

Sensitive as they may be, such issues cannot be ignored and should be openly discussed.

FOREIGN POLICY ISSUES

If U.S. immigration policy were to shift in favor of labor market considerations, it might create two specific issues for sending countries: (1) the type of human capital exported and (2) the level and distribution of remittances (i.e., money) to family members remaining in the sending countries. From the sending countries' perspective, the outcomes of both issues are likely to be negative. If so, changes in U.S. immigration policy may have to be linked to adjustments in foreign policy regarding trade and assistance for education and economic development.

ADMINISTRATIVE CHALLENGES

Creating immigration policy to address the nation's labor needs is one thing. Administering such a policy in an efficient and effective manner is another. Doing so will depend on meeting a number of conditions, including: (1) an adequate supply of applicants who fit the sectorial, occupational, and human capital requirements of the policy;

(2) sufficient flexibility to allow policy adjustments to variations in the economy's labor demands; (3) a capacity to use and enforce the new requirements effectively; (4) adequate and sustained funding for implementation; and (5) ongoing policy monitoring and evaluation. While the first of these conditions is readily met, the other four cannot be fully met under current circumstances.

DEVELOPING EFFECTIVE IMMIGRATION POLICY

When all of this is said and done, would the United States benefit from greater emphasis than policy now gives to labor market considerations? In support of this proposition are the facts that substantial immigration will continue and increase in the foreseeable future and that immigrants will constitute as much as 25 percent of labor market entrants over the next two decades. Greater emphasis on labor market considerations could (a) assist in meeting the changing demands for labor, (b) minimize negative distributional effects, and (c) speed up the economic and social adjustments of immigrants and their children.

Policymakers face three major challenges in developing policies that could realize this potential. First, to be responsive to changes in labor market conditions, U.S. immigration law must leave adequate flexibility for rapid adjustments, a flexibility that is lacking today. Second, policymakers need an informed basis for developing selection criteria that will ensure a match between immigration and manpower needs while avoiding short-term displacement of native workers. Third, the absence of good information continues to make policy design and evaluation problematic.

There are few data collected on either permanent or temporary immigrants who have entered under family, labor market, or other categories and no analysis of their labor force experience. Further, little is known about the cumulative effects (both short term and long term) of sustained high levels of immigration (beyond a decade or so) and a high degree of cultural and linguistic diversity. The absence of good information on these and other issues makes it difficult to develop

immigrant policies and selection criteria that would effectively address labor market needs without adverse distributional effects or otherwise hindering the more humanitarian objectives of immigration policy.

ACKNOWLEDGMENTS

We wish to thank Ricco Siciliano and R. Scott Fosler for suggesting that we examine the rationale for the economic, cultural, educational, foreign policy, and administrative issues raised if U.S. immigration policy placed greater emphasis on labor market considerations than it does now. We also thank the members of the Subcommittee on Demographics and Jobs of the Committee for Economic Development. This Note also benefited from the helpful and insightful reviews of our colleagues Charles B. Keely, Georgetown University, and Anthony H. Pascal of RAND. However, we are responsible for the opinions presented and any errors or omissions.

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I. INTRODUCTION

In its immigration policies, the United States emphasizes humanitarian and social concerns over those for the labor market--and has evidently prospered by doing so. As a recent presidential report assessing the effects of immigration on the U.S. economy and labor market puts it, "The U.S. has done well by doing good" (U.S. Department of Labor, 1989).[1] Yet, demographic and labor market changes may require that policymakers shift that emphasis and consider more explicitly how immigration relates to U.S. labor market needs. For reasons we offer below, immigrants and immigration will inevitably and significantly affect the U.S. economy. Whether the effects are in the nation's best interests will depend largely on how carefully policymakers consider the role that immigrants play in the labor market.

This Note briefly examines the ongoing changes in demography and demand for labor, and explores the central challenges immigration seems certain to pose for business and the economy in the coming years. It also discusses the desirability and feasibility of more labor market-oriented policies on immigration and immigrants.

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[1]This assessment mirrors that made by the U.S. Select Commission on Immigration and Refugee Policy (1981).

II. IMMIGRATION POLICY AND LABOR MARKET NEEDS

Just as it has in the past, immigration can help to supply the nation's labor needs. But given the focus on noneconomic factors in setting our nation's immigration policies, there is no guarantee that it will be able to supply either the quantity or mix of immigrants that our economy needs. This premise does not mean that U.S. immigration policies should be shaped exclusively by a narrow focus on labor market needs to the exclusion of humanitarian, foreign policy, and other noneconomic concerns. It does argue, however, for a more careful and explicit consideration of the labor market effects of immigration.

WHY IMMIGRANTS WILL AFFECT THE LABOR MARKET

Even if humanitarian concerns continue to dominate explicit immigrant policy, immigrants will affect the U.S. economy, particularly the labor market, for three major reasons. First, although the character of future immigration flows may well depend upon future policies, there seems to be little question that substantial immigration to the U.S. will continue for the foreseeable future. Second, regardless of how they are categorized upon entry, these new immigrants will constitute a pool of labor market entrants whose effects will be felt in the workplace, and some will bring capital that will increase demand for labor. Third, the demographics of the U.S. native work force are changing in a number of notable ways that may well create potential imbalances between the demand for and supply of labor. Moreover, these effects are very likely to be felt in different ways across skill categories, industries, and regions. These trends deserve close consideration.

They Will Keep Coming

Significant immigration to the U.S. is likely to continue for several reasons. First, the economic pull of the U.S. is unlikely to abate for individual immigrants. However, it will certainly exert a more powerful attraction for those coming from countries with lower wages and fewer employment opportunities than those in countries, most especially in Western Europe, where the United States' comparative advantage is declining. The change in immigration flows supports this notion. Recent flows are dominated by Western Hemisphere and Asian immigrants, indicating that the United States' historical economic attraction for European immigrants has abated substantially.[1]

Although U.S. policy can alter the relative costs of that immigration, it cannot eliminate the underlying attraction, at least for the foreseeable future. Arguably, an "open border" policy could significantly decrease, if not eliminate, differential wages and employment opportunities as a major underlying attraction. Such a policy, however, is unlikely to be implemented in the foreseeable future, and if it were, it would most likely increase immigration in the short and medium term. Both family and community ties also selectively moderate the direct effects of explicit U.S. policy on those costs.[2] This results in an implicit selectivity in terms of who migrates and who does not based more on the needs of individuals than on the needs of society as a whole.[3]

Second, both current domestic and international political considerations seem certain to exert pressures on U.S. immigration policy to admit substantial (and, at least for the next decade, increasing) numbers of legal immigrants and refugees (see Secs. III and V). Indeed, the national ideology that accompanies our image of

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[1]The 1965 Immigration Act's elimination of national origin quotas and Asian discrimination provisions made this shift possible, as noted later in this section.

[2]Several studies have documented the social nature of immigration whereby family and community networks developed by the movement of people between places of origin and destination sustain migration over time. See Massey et al. (1987) and Portes (1989).

[3]See North and Lebel (1978).

ourselves as a nation of immigrants is likely to make it politically impossible to reverse those trends.

Most Will Seek Employment

As long as we continue to admit substantial numbers of immigrants, they will affect U.S. labor markets. Regardless of their origins, their motivations for entry, and their family ties, new immigrants constitute a pool of potential workers who will enter the labor market after they arrive. More than 270,000 adult immigrants (legal and illegal) entered the labor market every year in the 1970s, representing about 12 percent of the growth in the labor force. It is expected that this number will increase in the years to come and may constitute as much as 25 percent of the growth in the labor force.[4]

Immigrants tend to concentrate in specific areas so that aggregate comparisons of the total number of immigrant workers with the total size of the labor force are likely to understate potential regional or local labor market effects due to uneven geographic distributions. For instance, two of the three million immigrants recently legalized under the Immigration Reform and Control Act of 1986 reside in four states along the Mexican border (California, Arizona, New Mexico, and Texas). Similarly, California is home to nearly 50 percent of the nation's Asian immigrants and refugees.

Changing Demographics Make Them Potentially Critical

The demographics of the native population of the United States are also changing in ways that argue for considering immigration as a means for dealing with potential future labor market imbalances. First, as a result of prior fluctuations in fertility and an overall rate of natural increase that remains below the replacement level, overall rate of population growth in the U.S. is certain to be slow. Indeed, the Census Bureau estimates that if current fertility trends continue, the U.S. will reach a level of zero population growth sometime in the next century--the only question is how soon (Alonso, 1988).

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[4]U.S. Department of Labor (1989) and Fullerton (1989). See also Sec. III.

Slower overall growth will eventually mean fewer new entrants in the labor force when those smaller birth cohorts reach employment age. This pattern is only just beginning to be felt, but it will reverse the trend toward a growing pool of labor force entrants. That trend began in 1960, when the first waves of children born during the baby boom reached working age, and continued through 1980, when the last of the baby boomers started looking for work. To illustrate, in 1960, young adults between the ages of 15 and 34 constituted just 44 percent of the total labor force. By 1980, that age group had increased to over 54 percent of the labor force. Subsequently, their share began to fall, and by the turn of the century, 15 to 34 year olds will decline to about 42 percent of the total labor force (McCarthy and Valdez, 1986b).

An indication of what this slower natural growth might mean for local labor markets is suggested by the situation in California. Between 1970 and 1980, California added about 310,000 new jobs to its economy annually. If job growth had continued at the same rate through the 1980s and the state's 15 to 24 year olds had entered the labor force at the same rate as their predecessors a decade earlier, California would have faced a shortage of approximately 80,000 workers simply because the potential supply of entrants declined sharply. In fact, although labor markets in California have tightened during the 1980s and wages have risen accordingly, major short-term labor shortages did not develop for a number of reasons: slower overall economic growth, an increase in native employment due to higher employment rates among women and older workers, and a continued influx of immigrants into the labor market (McCarthy and Valdez, 1986b). By the mid-1980s, 40 percent of the state's population growth came from immigrants (Schmid, 1989). Indeed, continued high rates of immigration may well have played the critical role: They contributed more than 25 percent of employment growth (McCarthy and Valdez, 1986b).

Aggregate changes in labor supply, as illustrated above, fail to capture important differences in labor market dynamics among skill levels, industries and regions. Just as California's labor market situation differs from that of other regions, so, too, the demand for

and supply of labor is likely to differ across industries and skill levels. National projections of employment demand for the rest of this century suggest, for example, that as much as 40 percent of all the new jobs created in the economy between 1988 and 2000 will be in the professional, managerial, and technical occupations, and another third will be skilled service jobs. The low-skill categories of operators, fabricators, and laborers are expected to contribute less than 2 percent of the new jobs, even though they occupy nearly 15 percent of current workers (Silvesti and Lukasiewicz, 1989).

There is no greater concern about the future availability of an adequate supply of U.S. labor than at the higher end of the occupational scale. Demand for science and engineering PhDs is projected to double by the year 2000, while the supply of such U.S.-born PhDs is projected to remain constant at best. For instance, whereas in 1962 U.S. citizens accounted for 75 percent of engineering PhDs granted by U.S. universities, that proportion declined rapidly to about 50 percent by 1977 and reached a low of 48 percent in 1987 (Aerospace Education Foundation, 1989).

Also, discounting foreign doctorates, there may be a deficit in the numbers of qualified individuals required to teach the next generation of students. Consequently, the quality of tomorrow's work force may also be in jeopardy (Aerospace Education Foundation, 1989).

The labor market significance of these trends arises from a second demographic pattern: the uneven pattern of fertility across the population. The decline in fertility that has produced slower overall growth is most pronounced among Anglo and Asian women. In contrast, black and, most especially, Hispanic women not only have higher fertility rates, but more of these women are in their prime childbearing years. Hispanic fertility rates, for example, are about one-third higher than the national average (McCarthy and Valdez, 1986b). Moreover, these fertility differentials are most pronounced among immigrants and first-generation Americans (McCarthy and Valdez, 1986a). The overall effect of these demographic trends is that not only will the size of future cohorts of labor force entrants decline, but an

increasing fraction of these shrinking cohorts will consist of minorities, including immigrants. Nationwide projections estimate that 27 percent and 10 percent of the growth in the labor force between 1988 and 2000 will be due to Hispanics and Asians, respectively (Fullerton, 1989). These trends will, of course, be most pronounced in labor markets with high immigration. In Los Angeles, an area with a large concentration of immigrants, approximately 80 percent of the natural increase that was occurring in the early 1980s was among Latinos and Asians--a very large fraction of whom were immigrants (McCarthy, 1987).

Ethnicity alone, of course, does not determine labor market skills. Indeed, some of the most recent immigrants to the U.S., as well as some of its minority residents, are more skilled than any group of immigrants in U.S. history, as well as the greater part of the nation's majority residents (see Sec. IV). However, immigrants to the United States, as well as many of its minority residents, lack adequate access to and/or success in our educational system and, as a result, have traditionally supplied the United States demand for cheap low-skilled labor (Hoachlander, Kaufman, and Wilen, 1989).[5]

For instance, while over 60 percent of Anglo youths could perform "medium-level" reading and mathematics tasks, such as locating basic facts in a newspaper article or balancing a checkbook, only about 40 percent of Hispanic youths and 25 percent of black youths could do so. Only about 11 percent of Hispanic youths and less than 5 percent of black youths could perform at an "advanced level," accurately calculating the amount to leave as a 10 percent tip in a restaurant or synthesizing the main argument of a newspaper article (Hoachlander, Kaufman, and Wilen, 1989).

Unless these educational disadvantages are reduced, not only may the nation face a shortfall of labor force entrants, but an increasing share of these entrants may lack the skills needed by an increasingly sophisticated economy.

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[5]This issue is discussed further in Sec. IV.

IMMIGRATION POLICY AND THE ECONOMY: PAST AND PRESENT

Although immigration clearly has direct labor market implications, such considerations seem to have played a more *implicit* than explicit role in determining U.S. immigration policy. As U.S. immigration policy has evolved and the criteria for entry have become more explicit, family reunification rather than labor force considerations have been given dominance. This pattern seems to be reflected not only in the deliberations that preceded the setting of policy but also in the choice of criteria used to determine eligibility for entry into the country. Rather than recognizing the diverse economic and social roles immigrants play in society, these criteria draw a sharp distinction: There are immigrants who enter for economic reasons and those who qualify either because of family ties to current residents or for humanitarian reasons.

The Historical Experience[6]

For the first hundred years of its history, the United States adopted a basically "laissez-faire" policy with regard to immigration. Immigrants were neither officially encouraged nor discouraged. No group of immigrants was given preference over another. The absence of any limitation on numbers or the characteristics of immigrants, however, allowed the play of individual interests to operate--both those of prospective immigrants, whose motivations included but were by no means exclusively economic, and those of prospective U.S. employers, who would benefit from an increasing pool of labor. In essence, then, this laissez-faire policy, at least implicitly, encouraged immigration by imposing few, if any, barriers to entry. The barriers that did exist had more to do with the cost and difficulty of the journey and the uprooting of the immigrants--factors that operated through a type of natural selection to encourage the most enterprising.

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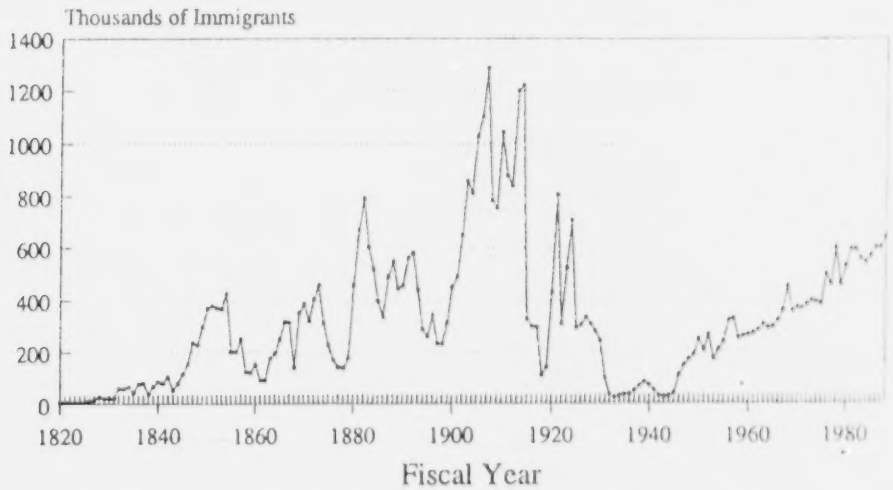
[6]For more detailed information on U.S. immigration history, see, for instance, Keely (1979), the U.S. Select Commission on Immigration and Refugee Policy (1981), or Bean, Vernez, and Keely (1989).

During the next 50 years, from approximately 1875 to 1920, the laissez-faire approach was gradually abandoned as the U.S. passed a series of laws selectively excluding certain categories of immigrants. This selectivity pertained more to the characteristics of individual immigrants than to their volume, since *no* ceiling was imposed on the total number of immigrants admitted. For the most part, these exclusions, barring entry to anarchists, alcoholics, prostitutes, and others of "dubious" moral character, focused more on the noneconomic than the economic roles of the immigrants. However, some exclusions appear to have been aimed at protecting native workers from foreign competition; e.g., exclusion of contract workers.

Throughout this second period, the volume of immigration continued to grow, with brief interruptions associated with economic downturns in the U.S. economy (Fig. 1). Approximately midway through the period, the composition of immigrants began to change as the numbers of Southern and Eastern Europeans outpaced those of the previously dominant Northern and Western Europeans. Concomitantly, the demands for an overall immigration ceiling increased. Finally, in 1921 Congress passed the first of a series of overtly restrictionist immigration laws, which not



SOURCE: Bean, Vernez, and Keely (1989).

Fig. 1-Legal immigration to the United States

only explicitly discriminated among immigrants by their national origin but also, for the first time, limited the overall volume of immigration.[7] Although modified a number of times, national origin quotas remained the cornerstone of U.S. immigration law until 1965, when they were finally replaced by a flat 20,000 per country limit (exclusive of parents, spouses, and children of U.S. citizens).

By controlling the total volume of immigration, the national origin quotas clearly affected labor markets by limiting the supply of entrants. But by basing eligibility for entry on ethnic considerations, they implicitly downplayed the economic role of immigrants and highlighted such noneconomic factors as the immigrants' perceived ability to assimilate into the U.S. culture. Even the many critics of the quotas, including several presidents, stressed the discriminatory features of the laws rather than their economic effects. Significantly, when the 1965 Immigration Reform act finally did away with the quotas, it assigned priority for entry on the basis of immigrants' family ties with U.S. residents. At the same time, the act for the first time established two categories of permanent immigrants that were explicitly related to the needs of the U.S. labor market (see below).

This is not to say that prior to 1965 immigration policy totally ignored the labor needs of the economy, especially in times of crisis. These needs, however, were accommodated differently; i.e., through temporary immigration. The Bracero guest-worker program with Mexico, for example, was set up to deal with shortages of agricultural labor during World War II. With a brief interruption, this program continued until 1964, when a combination of civil rights and labor union interests convinced Congress to repeal the program because "it was no longer needed" and the migrant workers were subjected to substandard working conditions. (Paradoxically, the end of the Bracero program eventually helped spur the growth of illegal immigration from Mexico.) Partly to

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[7] In 1917, Congress passed a literacy-test requirement and in 1921 enacted the first quota act, which limited the annual number of immigrants to 3 percent of the foreign-born of each nationality as enumerated in the 1910 census. Wives and children of U.S. citizens were exempted from the quota (Keely, 1979).

compensate for the termination of the Bracero program, the 1965 act included provisions to continue importing permanent and temporary workers to fill jobs for which U.S. labor was unavailable, as certified by the U.S. Department of Labor. It set aside 54,000 permanent residence visas annually for members of the professions and for workers in skilled and unskilled occupations and established a more narrowly defined temporary worker program. Under the latter program, workers are allowed in the country for limited periods and required to return to their homelands when the need for their services ends. Also in 1970, Congress responded to the needs of multinational corporations to transfer personnel for career development, training, and other reasons by establishing a new temporary visa category for "intracompany transferees."

Current U.S. Immigration Policy

Current U.S. immigration policy seeks to balance four main objectives: (1) to reunite families, (2) to address the labor needs of the economy by admitting permanent or temporary workers, (3) to resettle refugees and accept asylum seekers for both humanitarian and foreign or domestic policy reasons, and (4) to facilitate trade and economic, educational, cultural, and social exchanges with other nations.

How these various objectives are actually balanced is currently set by the legislated provisions contained in the Immigration Reform Act of 1965 (as amended in 1976 and 1978), the Refugee Act of 1980, and the Immigration Reform and Control Act of 1986 (IRCA). Below, we briefly describe the key provisions and programs that govern immigrant entrance to the United States in three different categories: (1) lawful permanent immigrant, (2) temporary immigrant or worker, and (3) refugees.[8]

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[8]Bean, Vernez, and Keely (1989) contains a more detailed description of current policies regarding permanent immigration and refugees. Also, see INS (1988) for a description of all categories of immigrants, including temporary immigrants.

Permanent Immigrants. Family reunion is the dominant criterion for legal permanent entry into the United States. Spouses, parents, and unmarried minor children of U.S. citizens are given priority, and there are no limits on the number who may be permitted to enter at any time.

Other relatives of U.S. citizens and permanent residents, and independent immigrants are subject to (1) a worldwide ceiling of 270,000 visas annually, (2) a per country ceiling of 20,000 visas annually, and (3) the specific requirements in one of six preference categories, each limited by a specified ceiling (see Table 1). Four of the preference categories (1, 2, 4, and 5) emphasize family reunion and account for 80 percent (216,000) of all visas under the worldwide ceiling. The remaining 54,000 yearly visas are equally divided between two occupational categories for (1) members of the professions (preference 3) and (2) skilled and unskilled workers in occupations in short supply in the United States (preference 6). To insure that they do not displace U.S. workers, these third- and sixth-preference immigrants are admitted subject to certification by the U.S. Department of Labor that there are *insufficient* U.S. workers to fill the jobs the immigrants seek and that employing these aliens will not adversely affect the wages and working conditions of similarly employed U.S. workers.

Finally, a substantial fraction of the annual total of permanent immigrants is actually refugees who, while admitted in an earlier year, are adjusting their status to permanent legal immigrants. Although there is a ceiling on the number of refugees who can be admitted into the country every year (see **Refugees** below), there is no limit on the number who can adjust their status after they arrive.

In FY 1987, 601,000 visas were granted under the above lawful permanent immigrant provisions. More than half (55 percent) of these were "exempt" from any numerical limitation; i.e., immediate relatives of U.S. citizens and refugees. Also, only two out of three of these legal immigrants were actually new arrivals; the balance were individuals already residing in the country whose status as refugee or temporary resident had been adjusted to that of permanent resident.

Table 1

CURRENT PREFERENCE CATEGORIES AND CEILINGS

Preference	Provision	Percentage and Number of Visas
First	Unmarried adult sons and daughters of U.S. citizens	20% or 54,000
Second	Spouses and unmarried sons and daughters of permanent resident aliens	26% or 70,200*
Third	Members of the professions of exceptional ability and their sons and daughters	10% or 27,000*
Fourth	Married sons and daughters of U.S. citizens and spouses and children	10% or 27,000*
Fifth	Brothers and sisters of U.S. citizens (at least 21 years of age) and children	24% of 64,800*
Sixth	Workers in skilled or unskilled occupations in which laborers are in short supply in the U.S. and their spouses and children	10% or 27,000*
Nonpreference	Other qualified applicants	Any numbers not used above

SOURCE: U.S. Immigration and Naturalization Service (1988).
NOTE: Asterisk (*) means that numbers not used in higher preference may be used in these categories.

Temporary Workers and Nonimmigrants. The 1965 Immigration Act also provides for an unlimited number of nonimmigrants to enter the United States for a specific limited period. Most temporary visitors are here for tourism (about 9 million in 1987). However, three million persons also enter the country temporarily for a broad range of business, educational, training, and work-related reasons, and are allowed to perform services or labor here for a specified period. About

two out of three of these individuals (B-1 visas) are here to engage in commercial transactions that do not involve gainful employment in the United States; i.e., international commerce on behalf of a foreign firm. The balance are allowed to work under circumstances specific to each of the following categories:

- Treaty traders and investors (E1 and E2): Include aliens coming temporarily to carry on substantial trade or to direct the operations of an enterprise in which they have invested a substantial amount of capital. In 1987, 114,000 such temporary business persons were admitted, along with their families.[9]

- Temporary workers (H-1, H-2, and H-3): Include aliens who come temporarily to (1) perform services of an exceptional nature, (2) perform services or labor if no U.S. worker capable of providing the service can be found, and (3) be trained, other than to receive medical education or retraining. In 1987, 97,000 such temporary workers were admitted, along with 16,000 family members. Temporary workers are subject to Department of Labor labor certification.

- Intracompany transferees (L1): Employees of an international firm admitted temporarily to continue to work for the same employer as a manager or executive or in a specialized capacity. In 1987, 65,000 were admitted, along with 41,000 family members.

- Exchange visitors (J1): Participants in a program approved by the secretary of state for the purpose of teaching, studying, conducting research, or receiving training. In 1987, 148,000 were admitted, along with 35,000 family members.

- Students (F1 and M1): Admitted to pursue a full course of study in an approved program of study in an academic, vocational, or nonacademic institution. In FY 1987, 262,000 were admitted, along with 26,000 family members.

- Others: The balance of temporary admissions include foreign government officials (91,000), transit aliens (264,000), international representatives (57,000), representatives of foreign information media (18,000), and NATO officials (7,000).

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[9]Figures for 1987 for this category and all other categories of temporary immigrants were compiled from the INS (1988).

Finally, IRCA established the Replenishment Agricultural Worker Program (RAW), which will allow (effective in 1990) for the legal *temporary* entrance of agricultural workers should the need arise and in a number to be determined by the Department of Labor in consultation with the Department of Agriculture. This program will expire in 1993 unless Congress acts to renew it. RAW participants who work at least 90 days in seasonal agriculture services in each of the three years will be allowed to upgrade their immigration status to that of lawful permanent resident status outside of the current ceilings for permanent legal immigration.[10]

Refugees and Asylum Seekers The number of refugees to be admitted annually is determined by a process mandated by the 1980 Refugee Act. Yearly, the president (acting through the coordinator of refugees in the State Department) in consultation with Congress (i.e., the relevant Congressional committees) reviews the worldwide refugee situation and determines the number of refugees in need of resettlement, those who are of "special humanitarian concern"[11] to the United States, and sets the authorized number of admissions for the ensuing fiscal year (INS, 1988). A mechanism also exists for emergency consultations if an unforeseen event develops that the president has decided merits additional refugees. In the 1980s, the ceilings for refugees have ranged from a low of 67,000 in 1986 to a high of 231,000 in 1980. In 1987, 68,000 refugees were admitted to the country (INS, 1988).

The 1980 Refugee Act brought the U.S. legal definition of a refugee into conformity with international law, to which the United States had acceded by signing the 1967 United Nations Protocol on the Status of Refugees. The 1980 act also codified other refugee-related policy, such as specifying which special programs refugees are entitled to in order to aid their integration into the work force and society. Unlike other

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[10]Registration for this program was offered only one time from September 1 to November 30, 1989. About half of the 623,800 aliens who applied have come from California.

[11]There are about 13 million refugees worldwide. "Special humanitarian concern" as a criterion for settlement in the United States is not explicitly defined in the law.

types of immigrants, refugees are entitled to income support and special training and social programs designed to facilitate their adjustments to the United States and to expedite their transition to "self-sufficiency."

In addition, the United States provides asylum to aliens in the interior or at a port of entry who are unable or unwilling to return to their country of nationality because of persecution or a well-founded fear of persecution. Prior to 1980, asylum seekers never exceeded 5,000 annually, but they increased to an annual average of about 29,000 from 1980 to 1986. Further increases in applications for asylum took place in 1988 (61,000) and 1989 (99,000); most of these increases are the result of unrest in Central America (including El Salvador, Guatemala, and Nicaragua).[12]

Illegal Immigrants. Finally, there are two categories of illegal immigration to the United States. One consists of immigrants who enter the country legally but eventually stay in this country beyond the period specified by their visa. These *illegal* immigrants are labeled "overstayers." They are joined by a second category of illegal immigrants who cross the U.S. borders without appropriate documents.

The Immigration Reform and Control Act passed in 1986 is directed primarily at addressing the issue of illegal immigration through two key sets of provisions:

- **Legalization.** Gives amnesty to and provides for eventual lawful permanent residence for (1) illegal aliens who have resided in the United States continuously since January 1982 and (2) illegal aliens who worked in agriculture's perishable crops industry for 90 days between May 1985 and May 1986. More than 1.7 million illegal aliens have applied for temporary residence under the first provision and more than 1.3 million under the second provision. Applications to adjust from temporary to permanent residence are open until December 1990.

- **Employer Sanctions.** A set of provisions that (1) prohibits U.S. employers from hiring undocumented workers, (2) requires all employers to complete an employment eligibility

[12]Aliens who apply for asylum are eligible to work in the United States until a decision is made. Up to 5,000 asylum seekers are permitted to adjust their status to that of permanent resident.

verification form (I-9) for all new hires, and (3) provides for graduated civil and criminal penalties for employers of undocumented workers.

The recent passage of IRCA and the imposition of employer sanctions seem to signal a more explicit attention to domestic labor market considerations in determining U.S. immigration policy. However, employer sanctions, which were originally proposed over 30 years ago and have been debated in numerous Congressional sessions, should be viewed more appropriately as a method for achieving immigration policy objectives than as an indication of any economic rationale for policy. Indeed, to the extent that economic factors played a role in the legislative debate about IRCA, they dealt with the interests of specific groups and regions rather than the needs of the labor market as a whole.

RESULTS OF CURRENT POLICY

Substantial changes have been occurring in the size and composition of **legal** immigration to the U.S. since the end of War World II and as a result of the 1965 act and its subsequent amendments. First, the number of immigrants has been rising sharply and steadily. In the five years following the war, 190,000 immigrants were admitted yearly for permanent residence in the United States. By 1965, a little less than 300,000 permanent immigrants were admitted yearly to the U.S. During the 1970s, that number increased to about 440,000 annually and during the late 1980s has been averaging over 600,000 per year (Fig. 2).

In spite of these increases, the proportion of foreign-born in the U.S. population continued to decrease from a pre-World War II high of about 12 percent to a low of 4.7 percent in 1970 (Fig. 3). (The large influx of immigrants at the beginning of the century (see Fig. 1) assured that that proportion would remain high for a generation.) This downward trend was reversed in the 1970s, and by 1980, the proportion of the foreign-born population had returned to its immediate postwar level of 6.2 percent and may exceed 8.0 percent in 1990.

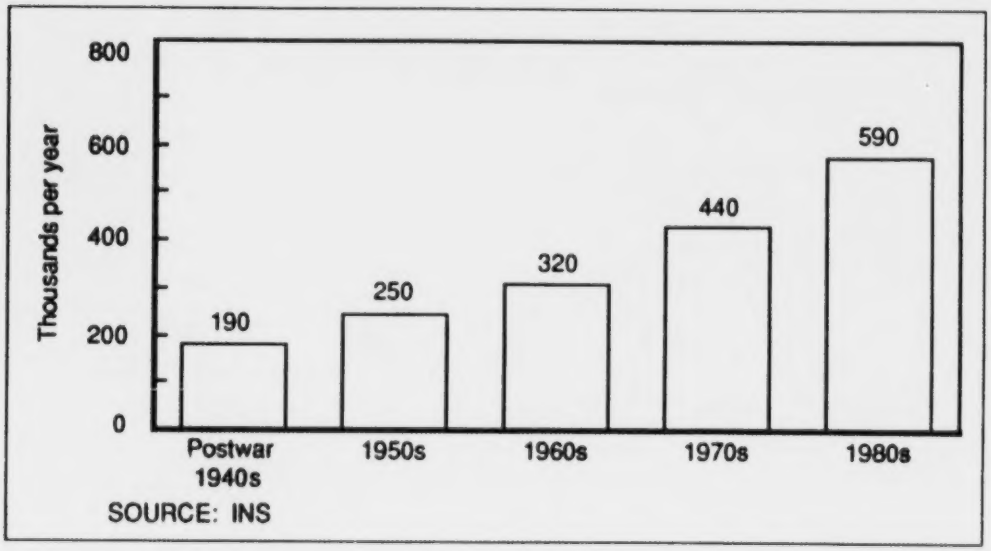

Fig. 2-Increase in number of yearly legal immigrants admitted into the United States

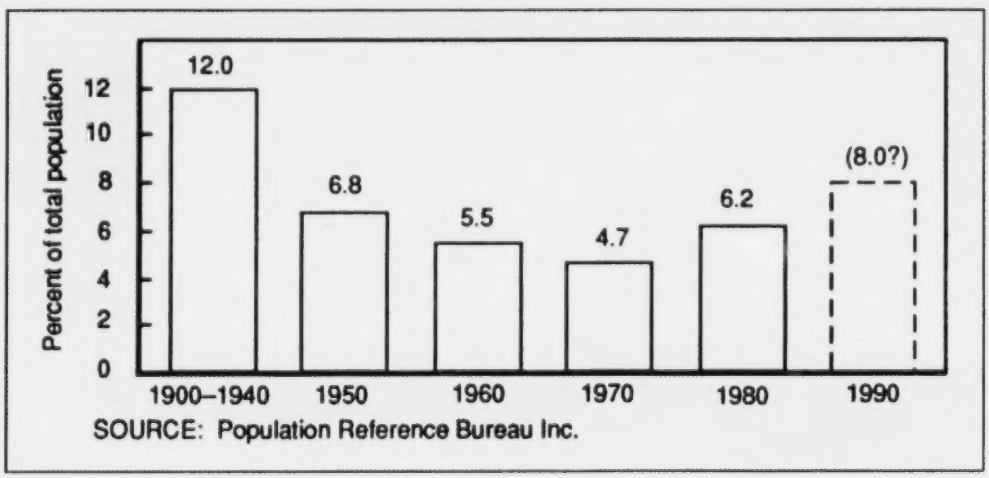

Fig. 3-Foreign-born population as a percentage of total population

Increases in numbers of immigrants were accompanied by a dramatic shift in the regions of origin of the immigrants: the share of immigrants coming from Europe has fallen significantly and the fraction from Latin America and Asia has risen (Table 2).

Table 2

PERCENTAGE CHANGES IN REGIONS OF ORIGIN OF LEGAL IMMIGRANTS TO THE UNITED STATES

Decade	Europe and Canada	Latin America and the Caribbean	Asia	Other	Total
1950s	70	22	6	1	100
1960s	45	39	13	3	100
1970s	20	40	36	4	100
1980s	15	32	48	5	100

SOURCE: Program for Research on Immigration Policy (1989)

The main reason for the increase in total numbers has been the growth in the number of exempt family reunion immigrants. In the last decade (1980s), the number of immediate relatives of U.S. citizens admitted increased by nearly 50 percent, from 150,000 to 220,000. Because of the worldwide ceiling on all other categories of immigrants, the only other category that has fluctuated is the refugee and asylum seeker category: It reached a peak in 1982 with 156,000 refugees adjusting their status and decreased to 96,000 in 1987 (see Fig. 4).[13]

In contrast to the fairly stable number of legal immigrants admitted yearly throughout the 1980s, the number of *temporary* immigrants in all categories, including business visitors, workers, intrabusiness transferees, and students, increased dramatically in the 1980s. The number of temporary business visitors has increased nearly threefold from 800,000 in 1978 to more than 2.1 million in 1987, an indicator of the increasing economic interdependence between the United States and other regions of the world. Three out of five of these visitors for business come from Europe or Asia (mostly Japan).

[13]Admission of new refugees has also fluctuated in this past decade from a high of 207,000 in 1980 to a low of 65,000 in 1987, and that of asylum seekers has increased from 16,000 in 1980 to 99,200 in 1989.

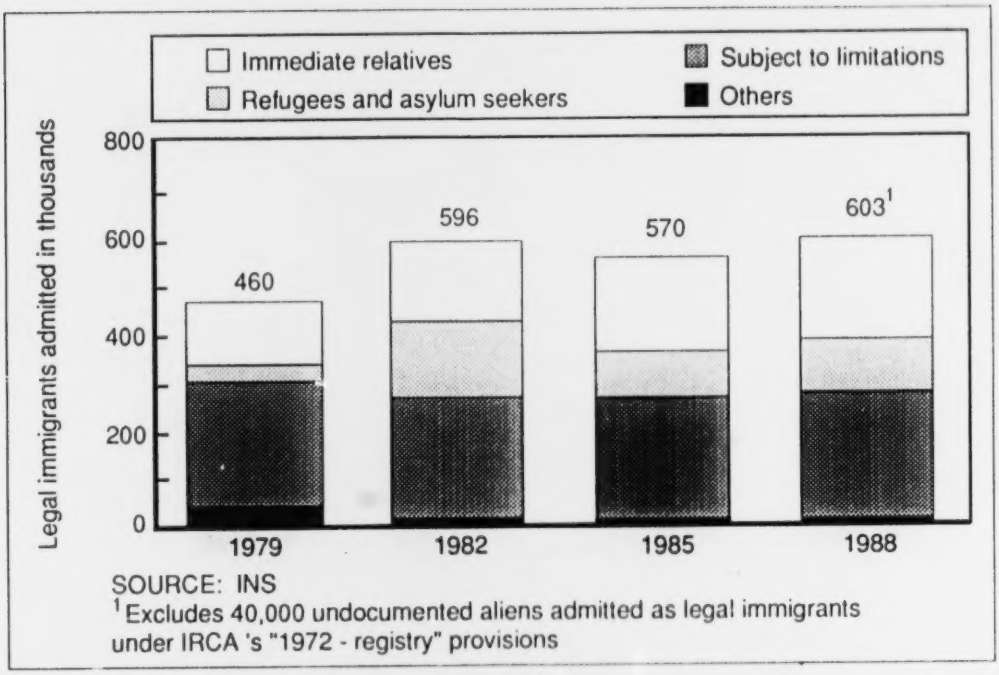

Fig. 4—Percentage trends in legal immigration by category: 1979-1988

The other categories of temporary immigrants have also increased dramatically (by nearly 100 percent) from 350,000 to 685,000 (see Fig. 5). A small (14 percent) but growing number of these temporary immigrants is admitted explicitly to meet U.S. labor market needs upon certification from the Department of Labor that qualified U.S. workers are not available. By 1987, the number (65,500) of temporary workers admitted for distinguished merit or ability (H-1 visas) began to exceed the number (54,000) of legal permanent immigrants admitted under the labor market-related categories (preferences 3 and 6).

Although the temporary immigrants in the other categories are admitted for a variety of reasons--they include treaty traders, intracompany transferees, students, trainees, exchange visitors, foreign government officials, and media representatives and their families--they also add to the labor supply of foreign workers (to an extent that remains to be fully and accurately documented). For instance, entrants in the "treaty traders" category provide labor that is considered essential to a firm's U.S. operations. "Intracompany transferees" also

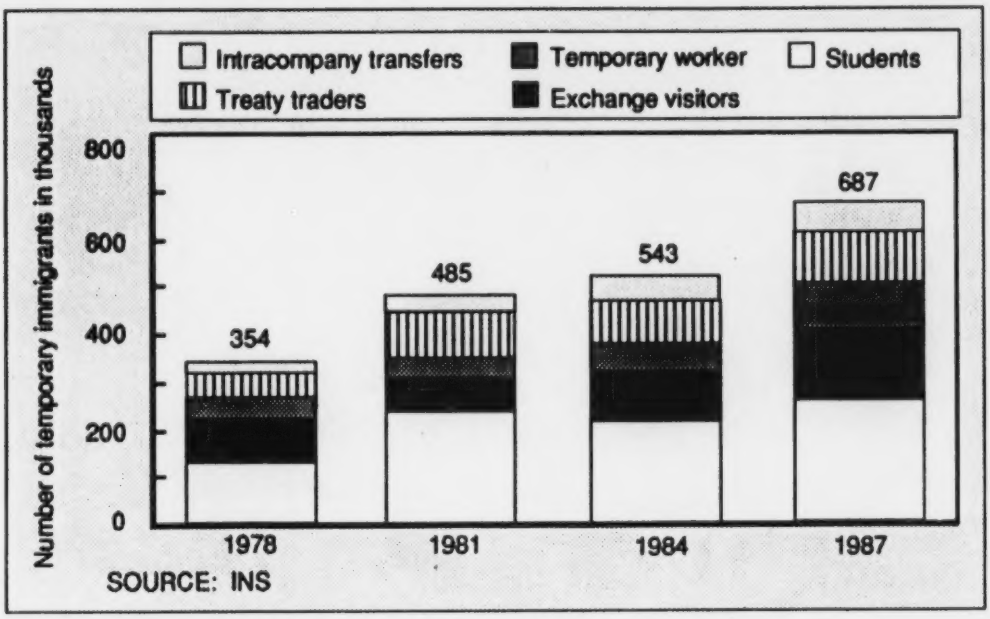

Fig. 5—Recent trends in temporary immigrants by selected categories: 1978-1987

contribute their labor to firms located in the United States, often in managerial positions or positions involving specialized knowledge. Even students are authorized to work at least 20 hours on-campus during the school year and full-time otherwise. It is estimated that 75 to 85 percent of all foreign students are employed at some time during the year (U.S. Department of Labor, 1989).[14] And finally, exchange visitors who are typically not admitted as workers often do work, although illegally.

Conservatively, we estimate that these temporary immigrants contribute a full-time yearly equivalent of 300,000 person/years to the U.S. labor force.[15] About two in three of these temporary immigrants

[14]In addition, students are automatically granted two-year work permits for practical training both during and after completion of their studies.

[15]This estimate does not account for about 100,000 spouses, some proportion of whom are working while in the United States, nor does it account for the fact that a small proportion (less than 10 percent) stays in the country for more than one year. Hence, the number of yearly entrants underestimates the total number of temporary visitors in the country at any one point in time (Kraly and Warren, 1989).

come from Europe and Asia and more often than not are professionals or otherwise contribute skilled labor.

The above suggests that U.S. firms increasingly are turning to temporary foreign labor to fill their needs, particularly for professional and skilled labor. This trend was accelerated in the last five years, signifying a growing need. To this predominance of temporary workers we must add a number of illegal immigrants (whose annual pre-IRCA estimates range from 100,000 to 200,000), most coming to work here, to fully appreciate the increasing dependence of the United States economy on foreign labor even under current laws.

III. MEETING LABOR NEEDS THROUGH IMMIGRATION: PROPOSED LEGISLATION

The last major change in the nation's legal immigration policies occurred in the mid-1960s when the passage of the Immigration Act of 1965 did away with the old national origin quotas and introduced the preference system described in the prior section. Although subsequent events have made the nation's immigration problems more glaring and the need for an effective policy more pressing, efforts to establish new policy have floundered. Policy reviews conducted by three successive administrations--those of Presidents Ford, Carter, and Reagan--have come to naught because the ensuing Congressional and public debates failed to reach a consensus on objectives.

In 1981, the blue-ribbon Select Commission on Immigration and Refugee Policy submitted its final report and recommended a comprehensive overhaul of immigration law and policy regarding both illegal and legal immigration. After nearly six years of deliberations and reviews of various proposals, Congress passed the Immigration Reform and Control Act of 1986. IRCA, however, was limited in scope to the problems of illegal immigration. It did not deal with issues related to legal immigration.

Since the passage of IRCA, pressure has continued to increase for major changes in legal immigration policy. In addition to concerns about policy insensitivity to the economy's need for skilled labor, there are concerns about the fairness of the current policy toward individuals without family ties in this country, resulting in a bias against would-be immigrants from Europe.

In the current Congress, both the Senate and House are considering legislation to make U.S. legal immigration policy more responsive to labor market needs--albeit on a very modest scale--and to increase diversity among immigrants (*Congressional Quarterly*, September 30, 1989). There is still a strong sense that past immigration policy has managed to meet our labor market needs adequately while serving our

humanitarian goals faithfully. Nevertheless, the new initiatives indicate that changing circumstances are making policymakers rethink the current policy focus on humanitarian and social concerns. In this section, we describe the main current legislative proposals introduced in the current 101st Congress.

Four bills are currently being considered, one sponsored by Senators Kennedy and Simpson (S 358) and approved by the full Senate in July 1989, and three introduced in the House of Representatives by Congressmen Berman (HR 672), Fish (HR 2448), and Smith (HR 2646).[1] For now, the first two bills (S 358 and HR 672) are likely to be the focus of the forthcoming Congressional debate; hence, our focus is on them below.[2]

Table 3 compares the main provisions of these two bills to current policy. We focus on similarities between the two bills, because they are likely to set the "minimal" boundaries of U.S. legal immigration policy in the 1990s.

Both bills allow for:

- An increase in legal immigration above the current level (about 500,000, excluding refugees and asylum seekers), with the House

[1]HR 2448 is similar to HR 672. However, it would eliminate the fifth preference category for the married adult brothers and sisters of U.S. citizens. S 358 originally contained a similar provision that was dropped in a compromise. HR 2646 sets up a new special immigrant status for "aliens whose admission is deemed for foreign policy reasons to be in the national interest." Up to 30,000 visas would be set aside for this purpose.

[2]As this Note was going to print, Rep. Bruce A. Morrison, Chairman of the House Subcommittee on Immigration, Refugees, and International Law, introduced a new proposal, HR 4300, entitled the "Family Unity and Employment Opportunity Immigration Act of 1990." The bill is similar to HR 672 with regard to family reunification categories. The major change here is the removal of the ceilings for "immediate relative of permanent resident aliens." HR 4300 would also expand the number of visas available for labor market-related independent immigration from 54,000 to 95,000 annually and allow employers to sponsor any other aliens to work permanently in the U.S. provided they could prove a shortage of U.S. workers. The general conclusions we draw in this section hold for HR 4300 as well. The latter is unique, however, because it also proposed changes in nonimmigrant visa categories and the imposition of a fee on employers using alien employees.

Table 3

COMPARISON OF CURRENT AND PROPOSED IMMIGRATION LAWS

	Current Law		Kennedy-Simpson	Berman
	Law	Actual 1987	S 358	HR 672
National level of immigration (a)	None	493,356	630,000	None
Family reunification:				
Immediate relatives (spouses and children of U.S. citizens)	Unlimited	218,575	(b)	Unlimited
Nonimmediate family preferences:	--	--	(c)	--
1st (unmarried adult sons and daughters)	54,000	11,382	24,200	54,000
2d (spouses and children of resident)	70,200	110,758	148,000	No ceiling (included in immediate relatives)
4th (married children of U.S. citizens)	27,000	20,703	23,000	27,600
5th (never married brothers and sisters)	64,800	68,966	64,800	64,800
Subtotal (ceiling):	See below (d)		480,000	Unlimited
Occupational categories:				
3rd preference (professionals)	27,000	26,921	39,000	42,000
6th preference (skilled)	27,000	26,952	39,000	42,000
Selected immigrants (point system)	NA	NA	54,000	66,000
Employment generating (investors)	NA	NA	7,500	5,940
Rural medical personnel	NA	NA	3,750	NA
Special immigrants	Unlimited	3,646	6,000	Unlimited
Subtotal (ceiling)	270,000 (d)	271,135 (d)	150,000 630,000 (e)	150,000

SOURCE: Adapted from Bean, Vernez, and Keely (1989) and HR 672 as introduced in the House, November 1989.

NOTES: NA means not applicable.

(a) Excludes refugees and asylees. There is no ceiling on the number of refugees adjusting their status to legal immigration. The ceiling for asylees is 5,000 annually.

(b) Subject to the 480,000 limit. This represents a loose cap because the number may be expanded to accommodate a 216,000 minimum for all four nonimmediate family preferences.

(c) Has a minimum floor of 216,000.

(d) All six preferences are subject to a worldwide ceiling, excluding immediate relations.

(e) Applicable on a pilot basis for FY 1991, 1992, and 1993 only.

version anticipating no limit and the Senate version seeking a target ceiling at 630,000.

- An increase in the number of independent legal immigrants admitted under labor market criteria, from 54,000 to 140,000.
- The introduction of a new category of immigrants (investors) seeking to enter the United States for the purpose of engaging in commercial activities.
- The continuation of family reunion as a major element of immigration.

The two bills have remarkably similar criteria for determining labor market needs for independent immigrants, although the ceilings within each set of criteria differ slightly. Both bills recognize three main categories of independent immigrants. Two of these categories maintain the old third and sixth preference categories. The Senate bill would increase the ceiling in each category from 27,000 to 39,000, and the House bill from 27,000 to 42,000. A third new independent category is created within which immigrants would be chosen on the basis of a point system. Selected immigrants (up to 54,000 and 66,000 in the Senate and House bills, respectively) would be admitted without requirements for labor certification.

The point system under both bills would give consideration to the same skills or attributes, although with differing weights.

- Desirable age (10, 10 points).[3]
- Education: high school (10, 10 points), bachelor's degree (20, 12 points), graduate degree (25, 14 points).
- Occupational demand: work in an occupation when an increase in demand will occur (10 points) and supply of U.S. workers will not meet that demand (5 to 10, 5 points).
- Occupational training and work experience in occupational demand as defined above (10 to 20, 15 points).
- Prearranged employment (15, 5 points).

[3]The first number in the parentheses refers to the Senate bill (S 358) and the second to the House bill (HR 672).

In the Senate bill, one out of five visas would go to the highest scoring applicants (up to 90 points). The balance of visas would be allocated by lottery to those with a qualifying score. The latter would be set annually by the secretary of state. In the House bill, visas would go to applicants scoring 25 points or more out of the maximum 49, on a first-come, first-served basis.

It may be informative to briefly contrast these proposed systems to the current system used in Canada.[6] Canada also recognizes two categories of immigrants: family reunion and independent immigrants. But since 1967, it has relied on a point system for admission under both categories. The maximum number of points that may be awarded is 100, distributed as follows: education (12), specific vocational demand (15), arranged employment or designated occupation by regulation (10), location (5), age (10), knowledge of English or French (10), personal suitability (10), and relatives of Canadian citizens (5). The potential applicants' total point score then determines their place in the overall queue. However, the score required for family reunion is lower.

In addition, the proposed U.S. bills set a fixed annual ceiling, which can only be changed legislatively. In contrast, Canada adjusts the total number of points required for entry biannually based on an appraisal of Canada's economic needs by the appropriate government ministry. The Canadian approach thereby affords greater flexibility in setting the size and characteristics of annual immigrant flows. In its most restrictive period, 1982, Canada limited eligibility to those applicants who had a validated job offer and established an elaborate point system based on a three-digit *SIC* occupational matrix. This market orientation and flexibility has caused marked changes in the level of immigration to Canada from year to year, from a high of 218,000

[6]By making this comparison, we do not suggest that any one of the three alternative point systems outlined here is better than the other. Currently, no information is available to make this assessment.

in 1974 to 36,000 in 1978, back to 143,000 in 1980, down to 84,000 in 1985, and up to 159,000 in 1988 (Greenwood and McDowell, 1989).

Although clearly not as closely tied to the nation's labor market needs as Canada's, the proposed U.S. legal immigration policy signals a desire to move toward a more labor market-conscious immigration policy in the next decade, particularly when considered in conjunction with the new categories of agricultural labor included in IRCA,

With each bill as the minimum expected floor, U.S. legal immigration policy would permit (1) an increase in the total number of legal immigrants granted visas from the current 600,000 to a range of 720,000 yearly (including refugees and asylum seekers) under the more restrictive provisions of the Senate bill to 1.4 million under the House bill[5] and (2) an increase in the proportion of labor market-related immigrants. The current ratio between labor market and other immigrants is 1 to 10; the new ratio would be about 2 to 10. In Canada that ratio has ranged from 1 to 2 in 1978 to 3 to 5 in 1987.

None of the bills currently under Congressional consideration is contemplating any changes to temporary immigration and nonimmigrant visa categories. But, as noted in the preceding section, temporary immigration for business and other economics-related reasons has experienced a dramatic increase in the last decade, suggesting that the economy is increasingly dependent on them. This trend suggests that temporary workers currently provide a complementary means of meeting the labor needs of the economy, most particularly for professional and skilled labor. Since this option is increasingly being used by business, it seems to require more immediate policy attention than has been the case to date.[6]

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[5]Two studies have considered a number of scenarios if either of these bills were enacted. See GAO (1989) and Center for Immigration Studies (1989).

[6]Recent testimony by the U.S. Chamber of Commerce in Congressional hearings on immigration reflects an increased interest by the business community in reforming both legal immigration laws and the system of temporary visas, including seeking for the latter an easement in the granting procedures (*Congressional Quarterly*, March 4, 1989, and September 30, 1989).

There will almost certainly be active debate about whether U. S. legal immigration policy should move even further in responding to the labor market needs of the economy. However, before advocates press harder and policymakers act, they should both take the measure of the challenges involved.

IV. CHALLENGES FOR DEVELOPING IMMIGRATION POLICY

To set immigration policy, policymakers must address four basic questions:

- How many immigrants should be added every year?
- What combination of characteristics should immigrants have?
- What occupational, sectorial, locational, and/or other restrictions (if any) should be placed on each immigrant?
- How long should each immigrant be allowed to stay in the country; i.e., permanently or temporarily?

Answering these questions first requires considering the kinds of economic, political, cultural, and foreign policy issues and constraints that are involved in making choices regarding the number, composition, and type of legal immigrants (i.e., permanent versus temporary) to be admitted and the range of restrictions to be placed on those immigrants.

In this section, we draw, in part, from the literature to identify (1) the range of economic tradeoffs involved in making such choices, (2) issues associated with the nation's absorptive capacity, and (3) issues of foreign policy. Our selection of issues was guided primarily by the persistence with which they are raised in the ongoing debate on immigration. We found that adequate information is often unavailable to size up the nature of tradeoffs between alternative choices. In such instances, we are limited to specifying the issues involved and what needs to be known to address them.

One additional caveat must precede this discussion. We do not address the tradeoffs between permanent and temporary immigrants. This decision is not based on a belief that these two categories of immigrants can or should be considered independently of each other but because information about the socio-economic characteristics of the various categories of temporary immigrants and their labor force

experience is simply not available, making such a consideration impossible at this time.

ECONOMIC TRADEOFFS

Whether they are admitted for humanitarian or economic reasons, most immigrants wind up in the labor force. That is a major argument for explicitly considering labor market needs in setting immigration policy. Labor market effects must be reckoned with whether the policy is putatively humanitarian or economic.

Do the labor market contributions of immigrants differ by category of admission? And who in the U.S. economy gains and who loses? We address these questions below.

Labor Market Contributions by Class of Admission

Unfortunately, no comparative studies are available with which to compare the labor market experience of different classes of legal permanent and temporary immigrants. Thus, not much is known about the nature and magnitude of the tradeoffs between a continuation of current policy and a policy that would give greater emphasis to labor market-related immigrants. Two comparisons are at the center of this tradeoff: First, how does the human capital that immigrants bring to the labor market compare with that of the nation's current residents? Second, how would the human capital of immigrants change under a policy targeted specifically to labor market considerations? At best, a rough estimate of these tradeoffs can be gleaned by referring to Tables 4 and 5, which compare the number and distribution of recent immigrants by occupations and class of admission.[1]

These tables suggest three general conclusions: (1) Overall, there are strong similarities between the general skill levels of immigrants and nonimmigrants. (2) Recent legal immigrants are somewhat more likely to be employed in semiskilled and low-skilled occupations than are U.S. workers as a whole (U.S. Department of Labor, 1989). (3) Although a

[1]Even such limited information is currently unavailable for temporary immigrants.

Table 4

PERCENTAGE DISTRIBUTION OF OCCUPATIONS OF 1987 EMPLOYED U.S. WORKERS AND REPORTED AT-ENTRY OCCUPATIONS OF FISCAL YEAR 1985-1987 IMMIGRANTS

Occupation Group	U.S. Employed 1987	Immigrants 1985-1987
Managerial and professional specialty	24.7	24.8
Executive, administrative, and managerial	11.8	9.1
Professional specialty	12.8	15.7
Technical, sales and administrative support	31.2	23.8
Technicians and related support	3.0	16.2
Sales occupations	12.0	2.4
Administrative support, including clerical	16.2	5.2
Precision production, craft, and repair	12.1	11.5
Operators, fabricators, and laborers	15.6	22.5
Service occupations	13.4	20.0
Farming, forestry, and fishing	3.1	4.9
Total	100.0	100.0
Total number (in thousands)	112,440	1,075
Civilian labor force participation rate 1985-1987	65.2	50.2

SOURCE: Adapted from the U.S. Department of Labor (1989), Table 2.3.
NOTE: Percentages may not add to totals due to rounding.

Table 5

ADULT[a] IMMIGRANTS BY REPORTED AT-ENTRY OCCUPATIONS AND CATEGORY OF ADMISSION: 1987

	Occupational Preference		All Other Legal Immigrants[b]	
	Number	Percentage	Number	Percentage
Managerial and professional specialty	12,917	33.4	45,691	11.8
Executive, administrative and managerial	3,818		17,974	
Professional specialty	9,099		27,717	
Technical, sales and administrative support	1,739	4.5	37,072	8.9
Technicians and related support	874		4,617	
Sales occupations	288		12,043	
Administrative support, including clerical	577		20,412	
Precision production, craft, and repair	1,854	4.8	25,327	6.1
Operators, fabricators, and laborers	549	1.4	54,899	13.2
Service occupations	5,071	13.1	44,928	10.8
Farming, forestry, and fishing	95	.2	11,930	2.9
No occupation or unknown	14,936	38.7	38,915	37.0
Total	38,607	100.0	85,876	100.0

SOURCE: INS (1988), Tables 4 and 19.

[a]Aged 17 or over.

[b]Includes family reunification and refugees and asylum seekers adjusting their status.

significant number of nonoccupational immigrants are represented in the professional and executive categories, occupational immigrants as a group are significantly more likely to be in the most highly skilled categories.

For instance, although one out of every three adult entrants admitted under the occupational preference categories was a manager or professional, only one of every ten immigrants admitted for family reunification or as a refugee was this skilled. These comparisons are based on occupations reported at entry, of course, and may underestimate the eventual economic contribution of nonoccupational immigrants for three reasons.

First, some entrants do not indicate having an occupation at entry, even though they may enter the labor force shortly after their arrival. North and Weissert (1973) found that INS data consistently underestimated, possibly by as high as 20 percent, the proportion of workers among immigrants, most particularly women.

Second, labor force participation rates may increase over time. Kramer (1985) estimated that the labor force participation rate of immigrants who entered in the first half of the 1970s was 70 percent, compared to 50 percent for those who entered in the second half of that decade.

Third, family immigrants may obtain additional education and training subsequent to their entry or otherwise adjust to the characteristics of the occupational structure in the United States and the kinds of labor it demands. These factors would and do increase their labor market contribution over time. However, gauging the importance of training, education, and labor force experience requires longitudinal studies that follow the immigrants' labor market experiences subsequent to their entry--studies that do not currently exist.[2]

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[2]One relatively dated longitudinal study (North and Weissert, 1973) of the 1970 immigration cohort over a two-year period found that the degree of bimodality observed at entry diminished significantly with a shift of the more highly trained entrants (professions and crafts) to lower level occupations (clerical and operatives) and low-wage entrants (household and farmwork) toward relatively higher occupations (services and nonfarm labor).

Distributional Issues

In the U.S., as in other industrialized nations, a major issue of controversy is whether immigrants create or take jobs and/or whether they increase or decrease the earnings of the native population. Changing views on this topic have produced significant immigration policy shifts in Canada and Australia.

Although consensus does not exist on these issues, the current view about immigration's effects on the U.S. economy as a whole is generally favorable. As noted in the *Economic Report of the President* (1986), "the net effect of an increase in labor supply due to immigration is to increase the aggregate income of the native-born population." This conclusion is echoed in a more recent review of "The Effects of Immigration on the U.S. Economy and Labor Market," which was prepared as part of the president's first Comprehensive Triennial Report on Immigration. It states that "the level of government policy intervention in manipulating the supply of immigration should (thus) proceed from the knowledge that . . . the U. S. has done well by doing good" (U.S. Department of Labor, 1989).

Still, this issue is far from fully settled. Indeed, these generally favorable evaluations of immigration's effects stand in sharp contrast to the continuing public debate, which emphasizes the job displacement effects of immigration, particularly but not exclusively from illegal immigration. Are these two views inconsistent? Not necessarily. The latest U.S. Department of Labor report, noted above, for example, also concludes that "the results of the evaluation of these labor market effects are influenced by the unit of analysis used, the views of the analyst toward the social, cultural, and political implications of immigration, and the observer's vantage point: as a consumer, producer, or worker" (U.S. Department of Labor, 1989).

Studies finding little or no displacement and/or few wage effects are generally based on economywide aggregate analyses.[3] They measure the outcomes of the long-run adjustment process of immigrants,

[3]Several excellent reviews and critiques of a range of these studies can be found in Greenwood and McDowell (1986, 1988), Weintraub (1989), Simon (1989), and the U.S. Department of Labor (1989).

industrial sectors, and geographic areas throughout the economy. Hence, they reflect a long-term perspective (say a decade or more) of the effects of immigration on the country. They generally glance over the questions of short-term displacement and the possibility of differential effects, depending on stages in the economic cycle and the level of unemployment in particular areas or industries.

In contrast, the public perception typically focuses on specific examples of short-run displacement or lower wages in particular industries, occupations, sectors, and/or regions. And they do not balance these examples by netting this displacement (or wage-dampening effect) against the possibility of job creation by immigrants across regions and industries and over time. The policy relevance of these short-terms effects may be significant, particularly if they accumulate in certain areas or are exacerbated by increasing waves of immigrants.

The literature contains many concrete examples of labor displacement and/or earnings-dampening effects in different segments of the U.S. economy. (For a review of the literature, see U.S. Dept. of Labor, 1989). The industries most affected include: those competing with labor-intensive foreign producers, firms using unskilled labor (such as agriculture, meat and poultry, and food processing), and industries relying on highly skilled human capital-intensive production (such as universities and colleges, metal stamping, and machine shops). As suggested by the long-term studies noted above, displacement and wage dampening tend to be self-correcting over the long run as immigrants and natives settle in labor markets where they can garner the highest returns (Bartel, 1989, and Chiswick, 1989).

The importance of displacement and wage effects also depends on perceptions, and these will vary depending upon the perspective of the observer. Although immigrants are distributed throughout the economy, they are more likely to be viewed as an economic threat by native workers for whom they constitute a substitute source of labor. Often this means workers in lower-skilled jobs and labor-intensive industries--a disproportionate share of whom may be minorities or former immigrants themselves or their offspring. In contrast, for those native

workers whose jobs depend upon the growth of such industries, e.g., those who supply equipment or services to labor-intensive industries, as well as the managers of the industries themselves, the availability of an adequate pool of immigrant labor is viewed as a decided asset. In sum, for any group of immigrants, there are likely to be some workers, producers, or consumers who view the immigrants as a threat and others who view the immigrants as an asset.

Another way to look at these distributional issues is to consider the extent to which a decline in the number of immigrants would contribute to enhancing the employment opportunities and wage prospects of blacks, youths, and other disadvantaged workers. There is some evidence that tight labor market conditions have tended to benefit such workers. For instance, blacks made their greatest economic progress during the 1940s and 1960s when labor market conditions were the tightest (Smith and Welch, 1986). More recently, it was found that in Boston's tight labor market conditions (4 percent or less unemployment rate), the employment of black youths increased at a rate more than double that of the increase in employment among white youths, and that the percentage of blacks living in poverty had declined by 5.3 (*Chronicle of Higher Education*, November 29, 1989). In this context, some view the prospects of a tighter labor market as an opportunity to benefit low-skilled and other disadvantaged workers, including the disabled.

This brief review suggests the need to weigh the following considerations in the design of U.S. immigration policy. First, short-run displacement and/or earnings-dampening effects do occur and, hence, cannot be ignored--although they potentially can be alleviated by appropriate sectorial and skill targeting. In the long run, however, displacement and wage-dampening effects will tend to be self-correcting as immigrants and natives and new firms settle (or resettle) in labor markets where they can garner the highest return. Second, local effects may be strong, and hence, the geographical distribution of immigrants is of potential policy interest.[4] Here again, a greater emphasis on labor

[4] Bartel (1989) shows that education plays a role in location choices of immigrants, reducing geographic concentration and the

market considerations relative to family reunion might be expected to alleviate (but by no means eliminate) this concentration effect.[5] A better understanding of the effects of sustained cumulative waves of immigrants in specific areas and industries is, however, needed in order to adjust policy to alleviate these problem areas. What is initially required to advance this understanding (as already noted) are longitudinal studies following immigrants and industry labor market experiences.

Finally, we must begin to explicitly recognize the role that immigrants--both permanent and temporary--play in filling the nation's manpower needs and assessing the tradeoffs that alternatives to that role pose for the economy. In particular, more information needs to be brought to bear about the nature and magnitude of the tradeoff between more or fewer immigrants and the labor force participation and economic progress of disadvantaged minorities, including blacks, youths, and the disabled.

ABSORPTIVE CAPACITY

> *To the question: Is immigration in the U.S. national interest?, the Select Committee gives a strong but qualified yes. A strong yes because we believe there are many benefits which immigrants bring to U.S. society; a qualified yes because we believe there are limits on the ability of this country to absorb large number of immigrants effectively.*
>
> Father Hesburgh
> Chairman, Select Commission on Immigration
> and Refugee Policy, 1981

The concept of "absorptive capacity" captures the notion that there is some limit on the number (and composition) of immigrants that can be assimilated on an ongoing basis into the larger society without

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likelihood of being in cities with a high concentration of fellow countrymen.

[5]Studies of refugees suggest that a significant proportion relocate to areas of a high concentration of immigrants from the same country. For instance, while about one in three Asian refugees goes to California when they enter the country, one in two eventually settles there.

threatening national values, generating a political backlash, and placing unmanageable demands on resources and existing institutions. As expressed in the Senate Committee Report on IRCA:

> . . . the ability of the American people to welcome aliens into their day-to-day life experiences has limits. These limits depend in part on the degree and kind of change which will be caused in their lives. We see evidence that if the newcomers to a community do not excessively disrupt or change the attributes of the community which make it familiar to its residents and uniquely their "home" (as compared with foreign areas, which they may respect highly but are not "home" to them), then the newcomers may well be welcome, especially if they make positive contributions to the community's economic and general well-being. On the other hand, it is seen that if the newcomers remain "foreign," they may not be welcome, especially if they seek to carve out separate enclaves to embrace only their own language and culture and if their numbers and the areas of the community which they directly affect are great. Perhaps this should not be so in the "ideal" world, but it is real. (United States Senate, 1985)

Other than some attention to whether immigrants place a "tax burden" on natives,[6] little attention has been paid in defining and analyzing this question in all of its social, cultural, institutional, and political dimensions. Further, most studies have focused on the long-run integration question, far fewer on the short- and medium-term adjustment questions that policy also ought to be concerned with. Below, we consider, in turn, (1) questions of public perceptions about the effects of immigration, (2) questions of socio-cultural and

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[6]Public perceptions are widespread that immigrants are a drain on public funds. Whether that is actually true or not continues to be debated. Estimates can be found to support either side of the argument (Simon, 1989; Mueller and Espenshade, 1985; McCarthy and Valdez, 1986a; Weintraub and Cardenas, 1984; and Tienda and Jensen, 1986). Available data are inadequate to surmount the measurement difficulties involved in this issue. For instance, data on public service are not systematically available and neither are data on tax payments; when they are, they are not available over time. Also, because of their concentration, immigrants place varying demands on federal, state, and local government services. For instance, a major immediate effect of immigration is on public expenditures for schools, a cost that is borne primarily by localities and states (see below).

institutional effects of current immigration, and (3) indications that the economic progress of immigrants may be slowing.

A Less Hospitable Perspective on Immigration

Although attitudes about immigration and its effects have often displayed a noticeable ambivalence over the course of U.S. history (Keely, 1979), there is some evidence of a hardening of public attitudes about immigrants. The trends in national survey responses over the past two decades have been toward a harder line on immigration generally and on undocumented immigration in particular. Pre-1975, 40 percent of those asked responded that legal immigration should be decreased. In the 1980s, this percentage hovered around 60 percent (Cornelius, 1983; Simon, 1985).

At the root of these attitudes is a seemingly increased concern over the economic, distributional, cultural, and political effects of immigration. Of course, such concerns are not new and have accompanied every new wave of immigrants. And historical assessments of the adjustments of and effects on the country of previous waves of immigrants have concluded that on balance immigrants have been a positive force for this country's economic and cultural development. So why should it be any different with the more recent wave of immigrants?

One reason is that relative to past patterns of immigration, the current and expected waves of immigrants differ in five major ways. First, although the United States has experienced several periods of rapid immigration, the current wave is the second-longest single uninterrupted wave in U.S. history[7] and it is expected to continue at an increasing rate, as was noted in earlier sections. Thus, any perceived or real adverse effects are continuously being reinforced by a steadily increasing stream of immigrants.

Second, although immigrants constituted a larger share of the total population from 1900 until World War II, they are once again a major factor in the country's continued growth. Because the native population

[7]The largest historical wave began in about 1880 and lasted until the beginning of World War I.

has a lower birth rate than that during the pre-World War II period, immigrants--both directly and indirectly through their own natural increase--account for a major proportion of current population growth (30 to 40 percent depending on estimates of illegal immigration) and a major and increasing proportion (20 percent or more) of new entrants to the labor force (U.S. Dept. of Labor, 1989).

Third, unlike an earlier domination of the ethnic mix by Europeans, a predominance of Asian and Latin American immigrants exists today (see Sec. II). Even in the two occupational preference categories, the trend has been toward an increasingly larger representation of Hispanics and Asians, and a decreasing representation of Europeans (Table 6). The increased volume *and* national diversity of immigration in the wake of the 1965 Immigration Act has "literally transformed the character of ethnicity in America" (Portes and Jensen, 1989). Many groups, such as Asian, Vietnamese, Dominican, Salvadoran, and Korean immigrants, had no real presence in the country two decades ago. Today, the U.S. receives immigrants from more than 150 nations.

Fourth, today's immigrants enter a society where the values and the public services available to immigrants have changed: Ethnic consciousness and diversity are not only accepted, they are encouraged. At the beginning of the century, immigrants were left to fend for themselves. Today, federal, state, and local programs provide a broad array of health, welfare, social, and educational services that are funded with public monies. Further, newly arrived immigrants are now benefiting from protection under civil rights legislation and judicial rulings that were initially intended primarily to compensate and benefit native minorities (Skerry, 1989; de la Garza et al., forthcoming).

A final notable change is the erosion of the consensus that prevailed throughout U.S. history concerning the priority given to growth and the settlement of all regions in the country. Today, significant segments of the country's population perceive continued population growth and urbanization as a threat to their quality of life. And immigration is viewed as a major source of continued growth.

Table 6

PERCENTAGE DISTRIBUTION OF
OCCUPATIONAL IMMIGRANTS
BY REGION OF BIRTH: 1978 AND 1989

	1978	1989
Europe	27	16
Asia	54	48
Korea	(8)	(6)
Philippines	(12)	(8)
Africa	4	4
North America	10	23
Canada	(7)	(4)
Mexico	(2)	(4)
El Salvador	(-)	(6)
South America	4	8
Oceania	1	1
Total	100	100
Number	30,877	52,755

SOURCE: INS (1979 and 1990).

Of course, changing circumstances and priorities do not by themselves indicate whether the patterns of adjustment of immigrants to U.S. society will be more or less successful in the future than they were in the past. They do, however, raise issues that bear on the challenges to changing immigration policy and their public management.

Limits to the Country's Absorptive Capacity

The increasing volume and diversity of recent immigration flows have heightened traditional U.S. concerns about the willingness of immigrants to assimilate into society and the impact this may have on the country's social and cultural cohesion. These concerns generally focus on a variety of phenomena that are viewed as a direct byproduct of immigration and that threaten to erode the country's

ability to reach consensus on vital domestic and international issues. Of particular concern is the institutionalization of language other than English, the emergence of self-contained ethnic enclaves, and the potential fragmentation of national and local communities into groups aligned along ethnic, racial, and cultural lines.

Although these concerns are expressed about a number of immigrant groups, they are most often voiced about Hispanic immigrants, given their large numbers and common language. These concerns are fueled by some groups of Hispanic immigrants, particularly those from Mexico, having low rates of naturalization and their concentration in states located along the Mexican border.

Concern about integrating newcomers into U.S. society are not new, however, and there is a legitimate question about whether the current concerns are justified in light of the United States' historical experience with immigration. Studies of the integration process suggest, for example, that most of the problems that immigrants face in adjusting tend to disappear after the first generation (McCarthy and Valdez, 1986a). What we may be witnessing then is less a change in the historical adjustment process than heightened public awareness of a large and visible group of new immigrants. Nonetheless, public perceptions, if not counteracted by objective and independent information, will almost certainly increase pressures to limit the number and control the composition of the immigrants who are allowed to enter the country.

While better information about the adjustment process of past and recent immigrants might alleviate some of the concerns about the impact of current immigration patterns on U.S. society, two issues seem to warrant special attention, given the possibility that they represent a discontinuity with the historical experience. These are: (1) signs of growing competition among ethnic groups for public programs and the policies targeted to benefit them and (2) inadequate resources and instructional programs to educate new immigrants and their children.

Beginning in the mid-1960s, U.S. policy has encouraged diversity, multiculturalism, and ethnic identification (Fuchs, 1983). Indeed, the passage of the Civil Rights Act of 1965, the Voting Rights Act of the same year and its subsequent amendments, and the Executive Affirmative Action Order of 1968--which cover not only blacks and Indians, but also Latinos and Asians--has brought fundamental changes in the relations among ethnic groups and stimulated ethnic consciousness and political mobilization, to which the nation as a whole is still adjusting. Also, the number of programs and the amount of public funds targeted to specific ethnic or other groups, including aid to refugees and bilingual education for children with limited English-speaking ability, have grown manyfold and have legitimized the use of special programs for minorities.

The increase in the number and size of different ethnic and racial groups is creating new issues, demands, and conflicts in the areas of education, entitlement benefits, public-sector employment, discrimination and affirmative action, and race relations. A systematic documentation of the range and seriousness of this emerging pattern has yet to be compiled but would include:

- Renewed racial tensions and ethnic hostilities on U.S. campuses (Clay, 1989).
- Indications that minority students drop out because they view the environment as unreceptive and feel no sense of identity with the institution (Clay, 1989).
- Reports of denials of admission to Asians with superior Scholastic Aptitude Test scores in favor of other minorities and Caucasians with inferior scholastic scores (Hoachlander and Brown, 1989).
- Increased competition among ethnic groups for scarce foreign aid dollars and policies, including refugee policies, favoring their country of origin (Steinfield, 1989).
- Increasing demands for parity in public-sector employment based on ethnic representation in the total population, including immigrants (Skerry, 1989).

- Recent passage of laws designating English as the official language in 16 states, including such large immigration states as Arizona, California, Colorado, and Florida.

- Actions taken by some universities to bestow fellowships on U.S.-born citizens only (Vernez, forthcoming).

These examples reflect a number of real issues about the nature of society that permeate the contemporary immigration debate. These issues range from English-only laws to which kind and level of assistance immigrants are entitled to or ought to be provided with to facilitate their adjustments to a new society. Do immigrants need or merit affirmative action protection? What is to be done when a "protected" minority group becomes a majority, as is going to be increasingly the case for many localities? Should colleges pursue racial and ethnic diversity? If so, on what grounds--race, ethnicity, or country of origin? We believe these questions cannot be ignored and should be openly discussed.

Another issue concerns the effects of immigration on schools and other educational institutions. In the past, the schools have been the key to the full integration of immigrants and their children in the social, economic, and political life of the country (McCarthy and Valdez, 1986a). Today, however, there are reasons to believe that the schools are ill prepared to respond effectively to the increasing number of immigrants and their children and their increasing linguistic and cultural diversity. Recent research on immigrant students and the effects of immigration on schools suggests a number of coping difficulties due to sheer numbers and lack of resources and expertise:[8]

- Continuing problems with instructing students with limited English proficiency. In the past decade, for instance, the number of limited students has more than doubled. One out of six California schoolchildren speaks a language other than English at home (Kirst, 1990).

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[8]We are grateful to our RAND colleague, Margaret Camarena, who reviewed the literature regarding this question.

- Lack of materials in students' primary language and lack of trained bilingual teachers and aides.
- Discontinuities between immigrants learning style and pedagogical practices common in the U.S. schools.
- High absenteeism among immigrant students.
- Segregation of immigrant students into separate classrooms for instruction.
- Misdiagnosis of learning problems and placement into inappropriate instructional programs, motivating students to drop out.
- High attrition among students who enter U.S. schools during the late middleschool or early high school years.
- Teachers lowered expectation for newcomers' success that may diminish their motivation and achievement.[9]
- Adjustment problems for some immigrants, particularly refugees.
- Lack of parental participation in and support for education.
- Hispanics having the highest school dropout rates of all the ethnic groups in the U.S.; those who are foreign-born complete substantially fewer years of school than those who are native.[10]

These demands because of unprecedented linguistic, cultural, geographic, and economic diversity disproportionately affect the large urban school districts, such as Los Angeles, Miami, Houston, New York, and Chicago, that can least afford to provide additional services.

The current capacity of school districts to respond to growing educational needs due to immigration is further eroded for two other reasons. First, although school improvement is a major theme at the national, state, and local levels, recent reform efforts concentrate on

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[9]There is also a growing mismatch between the ethnic and racial backgrounds of the nation's teachers, who by the year 2000 are expected to be 95 percent white, and their pupils, who will be 40 percent nonwhite (*Chronicle of Higher Education*, December 13, 1989).

[10]For instance, see Hess, 1986; Steinberg, Blinde, and Chan, 1984; Riemberger, 1987; and Tienda, 1988.

standards-setting and curriculum-enrichment strategies targeted at native majority students, not the growing disadvantaged ethnic and immigrant populations. Less than a fourth of the state commissions and task forces formed to develop educational reforms have provisions focused on the needs of academically "at risk" students (MDC, Inc., 1985). And only 12 states have included so much as one recommendation aimed at remediating the problems of "at risk" students in their reform agenda. In the context of the rapidly changing demography of the student body, current efforts at improving student performance are likely to fall short of expectations unless complementary policies are developed that address the academic needs of immigrant students and their children.

The second reason is that increased immigration is occurring during a period when federal aid to public education has declined in real terms and demands for other pressing social needs are increasing. The nation's health-care system, for instance, faces increasing challenges as the national elderly population continues to expand. These pressures are being felt unevenly across states and localities between states. Because education is primarily state- and locally funded, this pattern raises questions about the short-term ability of the most affected areas to finance additional educational services for immigrants and, indeed, the willingness of the rest of the population to pay for it. Without support from their community, the educational needs to facilitate the economic and social mobility of immigrants and their children may not be met.

Slower Economic Progress of New Immigrants?

Indeed, whether today's immigrants are progressing economically as rapidly as previous waves of immigrants is becoming an increasingly controversial issue which in the long run may affect their own and their children's future social, residential, and educational mobility.

Immigrants bring human capital with them. Table 7 shows that contemporary immigrants have a disproportionate effect at the top and bottom of the distribution of educational attainment for the total

Table 7

PERCENTAGE DISTRIBUTION OF YEARS OF SCHOOL COMPLETED, NATIVE AND RECENTLY ENTERED FOREIGN-BORN POPULATIONS, AGES 25 AND OVER, BY SEX: 1980 CENSUS

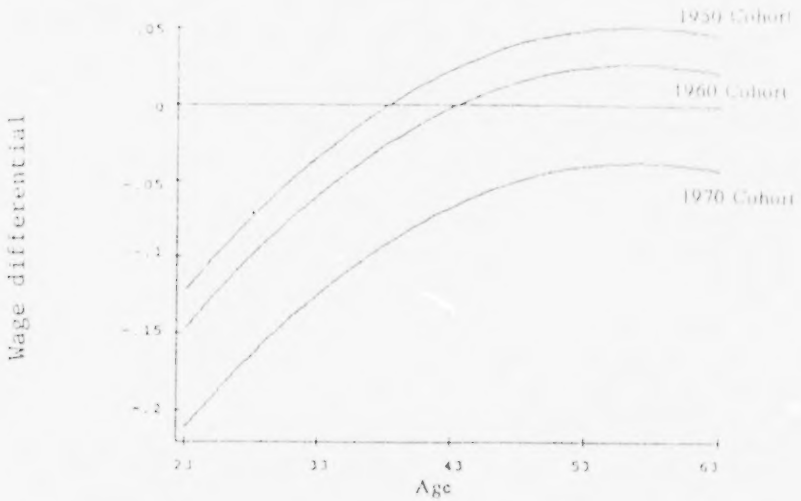
Years of School Completed	Foreign-Born Entered 1975-1980	Native Population
Elementary, Grades 1-4	12.9	2.9
Elementary Grades 5-8	17.9	13.9
High school Grades 9-11	10.0	15.6
High school Grade 12	20.9	35.5
College Years 1-3	14.5	15.9
College 4 years & over	23.8	16.3
All grades	100.0	100.0
Number	1,637,997	122,072,241
Median years of school completed	12.4	12.5

SOURCE: U.S. Department of Labor (1989), Table 2.10.
NOTE: Percentages may not add to totals due to rounding.

population. Relative to the native population, immigrants aged 25 or over who entered between 1975 and 1980 are somewhat overrepresented among those who have completed eight years of schooling or less and those who have completed four years of college or more. There is no marked difference in the median years of schooling between immigrants and natives: 12.4 versus 12.5, respectively.[11]

[11]This holds for both males and females. The human capital value of a year of schooling may vary per country of origin.

Still, there is a small but growing number of recent studies (Abbott and Beach, 1989; Borjas, 1985 and 1989; and Kossoudjii, 1989) that suggest two important changes are occurring among recent immigrant waves: (1) The latest waves of immigrants have not replicated the age/earnings performance of previous waves of immigrants; (2) The latest waves of immigrants start out at increasingly lower earnings levels, and their eventual adjustments to the labor market (i.e., work experience in the United States) are now insufficient to bring their earnings to parity with the earnings of native workers (see Fig. 6). These two trends have been found to affect not only the entire immigrant population, but also highly educated and skilled immigrants. Also, Ricketts and Mincy (1990), studying the growth of the underclass between 1970 and 1980, found that the share of the foreign-born population in



SOURCE: Borjas (1989).

Fig. 6—Wage differential of immigrants relative to comparable native population for three immigrant cohorts arrived in 1950, 1960, and 1970

underclass areas grew almost threefold from 3 to 8 percent. They conclude that "migrants may play a more important role in the formation of the underclass than the recent literature, which virtually ignores migrants, would suggest."[12]

Although the durability of this pattern is uncertain, a variety of possible explanations can be suggested for these findings. One is that the market for immigrants and natives is increasingly segmented, with immigrants increasingly concentrated in lower-skilled dead-end jobs while native workers dominate the more highly skilled jobs and more dynamic sectors of the economy. Indeed, there has been a marked increase from 1950 to 1980 in the share of immigrants in lower-skilled service and blue-collar occupations, from 36 percent to 57 percent (Sassen, 1988). Also, the cumulative and growing number of immigrants may increase the competition for jobs among immigrants. Consistent with this potential explanation are the findings of studies in areas with large concentrations of immigrants (e.g., Southern California, Texas) that suggest larger wage effects among groups of immigrants than between immigrants and natives (McCarthy and Valdez, 1986a; Borjas and Tienda, 1987). Similarly, growing immigration may also increase the opportunities for immigrants to develop a variety of enterprises that serve the immigrant's own ethnic markets while at the same time slowing the economic progress of immigrant workers (Sanders and Nee, 1987).[13]

Other potential explanations include the possibilities (Borjas, 1985, and Chiswick, 1986) that the skill characteristics of immigrants have changed, that current flows of predominantly Hispanic and Asian

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[12]Ricketts and Mincy (1990) define the underclass person as an able-bodied working-age individual who engages in socially dysfunctional behavior and lives in an underclass area. The latter is defined as census tract with extreme values (one standard deviation above average) on four indicators: percentage of working-age population not attached to labor force, percentage of households headed by women with children, percentage of households receiving welfare, and percentage of dropouts among the high school population.

[13]Evidence of such a pattern, however, was not found among Cuban refugees, with the exception that the positive effects on earnings of education are higher outside "the enclave area" than inside (Portes and Jensen, 1989).

immigrants have more difficulty than Europeans in coping with the U.S. labor market, and that discrimination against them has increased (Abbott and Beach, 1989). The first might be caused by a slower transition to English[18] and/or greater difficulties adjusting to U.S. "ways of doing things" among current immigrants. None of these possibilities has been researched to date.

Alternatively, this pattern may simply be a byproduct of the nature of these comparisons. For example, the analyses referred to above are based on salaried individuals only, and an increasing number of recent immigrants appear to be starting their own businesses. The self-employed are likely to have higher earnings than other immigrants (Portes and Jensen, 1989). More recent waves of immigrants may choose or have greater opportunities for self-employment than in the past for several reasons: (1) greater self-selection than native workers into self-employment due either to their preferences or growing market opportunities resulting from market product and geographical segmentation, (2) the desire to avoid potential discrimination, and/or (3) the difficulties of language and/or cultural adjustments.

Clearly, it will be important to reliably measure and monitor the economic (and educational) progress of immigrants and identify the reasons for rapid or slow progress. The appropriate policy prescriptions will differ significantly depending on whether the prevailing explanations for the trends recently identified (and if confirmed) are institutional (e.g., discrimination), structural (self-employment, market segmentation), or related to immigrant skills (composition, size, and/or expectations).

If the economic mobility of immigrants is slowed, the social changes that normally accompany it--lower fertility, residential dispersion, increasing political participation, and the educational mobility of children of immigrants--may also slow (McCarthy and Valdez,

[18]The speed with which immigrants shift from Spanish to English (a major determinant of economic progress) is in part related to education level and residency in ethnic enclaves, such as Cuban neighborhoods in Miami and Mexican areas in Los Angeles (Portes and Bach, 1985).

1986a). This combined with the increasing need of the economy for skills and qualifications that are beyond the reach of many immigrants or their native children (see Sec. II) suggests that one way to avoid this potential problem is to invest in accelerating the educational advancement of immigrants and their children.

FOREIGN POLICY ISSUES

To this point, we have focused primarily on issues of domestic policy interest, but immigration policy cannot be changed without considering its potential effects on sending countries and the United States' relations with them. A shift in U.S. immigration policy toward a more explicit focus on labor market considerations would raise two specific key issues for sending countries: (a) the type of human capital exported and (b) the level and distribution of remittances to family members remaining in the sending countries. From the sending countries' perspectives, the outcomes on both issues could well be negative and hence raise the question of finding appropriate solutions for alleviating these effects.

"Brain Drain"

The question about brain drain from Third World to industrialized countries has figured prominently in international negotiations on development issues (d'Oliveira e Sousa, 1989) but appears to have diminished in intensity over the past decade. Certainly, it has not figured prominently in this country's immigration reform debate, which began in the late 1970s and continues. Further, it seemingly was not a factor in the debate concerning the legal immigration reform bill recently approved by the Senate (S 358).

Still, there are signs that this issue is regaining currency, most particularly in sending countries, including Mexico. At a recent conference considering the international effects of IRCA, several prominent Mexican observers pointed to anecdotal evidence suggesting that an increase in outmigration of skilled, highly educated workers was

already occurring.[18] They reported that current migrants (mostly illegals) have an average of three to four more years of schooling than the Mexican population average (Bustamante, forthcoming) and that local officials were reporting that emigrants were more likely to consist of professionals and the well educated, including teachers (Arroyo, forthcoming, and Ojeda, forthcoming). Concern was expressed about how this trend might affect Mexico's prospects for economic recovery, long-term development, and social and political stability.

To the extent that discussions of U.S. immigration policies acknowledge effects on sending countries, they tend to focus on immigration as a "safety valve" that allows developing countries to export their "surplus labor" from high-unemployment or underemployment sectors of the sending countries (Garcia y Griego, forthcoming). However, some professionals and skilled workers are usually in short supply in developing countries. Increasing the number of such workers admitted for permanent or temporary immigration into the United States might lead to "labor shortages" in some occupations and/or sectors of some sending countries. Even if these effects are exaggerated, increased outmigration of professionals and skilled laborers from developing countries could provide such countries with an "explanation" for lagging economic performance and income growth and consequently strain their relations with the United States. These concerns might be further intensified by U.S. policies that might limit the "safety valve" provided by emigration from the sending countries.

Remittances

For some sending countries (e.g., El Salvador, the Dominican Republic, Mexico, and India), remittances have been credited with making a significant contribution as a source of foreign exchange (Mundende, 1989, and Papademetriou, 1989). In Mexico, official estimates of annual remittances are as high as $1 billion a year, making it the fourth main source of foreign exchange after tourism, oil, and the *maquiladora* industry. Remittances have also been seen as a key mechanism for

[18] See Vernez (forthcoming).

increasing the standard of living of migrants' families and hence contributing to the social and political stability of some sending countries, most particularly Mexico.

How would a shift in the composition of immigrants admitted to the U.S. affect the level and distribution of remittances within specific countries of origin? To the extent that the level of remittances depends on the number of migrants from a specific country, there would be gainers and losers roughly in proportion to the shift in the country of origin of the immigrants. Beyond that, we know too little about the propensity to send remittances to predict how changes in the composition and number of immigrants might affect remittances to specific countries.

We believe that these questions require more explicit attention than they have been given in the current U.S. immigration policy debate. They also indicate that, under certain circumstances, changes in immigration policy may have to be linked to adjustments in U.S. foreign policy with regard to trade and assistance for education and economic development.

V. THE CHALLENGES FOR POLICY OPERATION

Developing and legislating an immigration policy intended to address the labor needs of the economy is one thing. Operating such a policy in an efficient and effective manner, while minimizing its problematic effects, is another. The ability to do so will depend on meeting a number of conditions, including: (1) an *adequate supply* of applicants who fit the sectorial, occupational, and human capital requirements of the policy, (2) sufficient flexibility to allow the policy to *adjust* to variations in labor demand in the economy, (3) the administrative capacity to *operate and enforce* the new requirements effectively, (4) adequate and sustained funding for implementation, and (5) ongoing policy monitoring and evaluation. These conditions are discussed briefly in this section.

ADEQUATE SUPPLY OF IMMIGRANTS

The potential supply of immigrants should pose no bar to the successful implementation of U.S. immigration policy. In the past, the United States has been a magnet for immigrants (including large numbers of illegal immigrants) and has encountered few barriers to attracting the immigrants it wanted. Under current policy, more than two million successful applicants for lawful permanent residence have waited, in some cases, several years to get their visas for entry. The size of the waiting list has increased steadily since 1986, when it included approximately one million applicants (GAO, 1989). Most of them are in the family reunification categories, with 402,000 waiting in the second preference category and 1,470,000 in the fifth preference. In the two occupational preference categories, applicants now wait about a year for entry in the third category and about three years in the sixth category (Table 8).[1]

[1]The waiting list is not regularly updated and, hence, may contain applicants who no longer intend to come.

Table 8

IMMIGRANT WAITING LIST BY VISA CATEGORY

January 1989

Preference Categories	Numbers January 1989
Family reunification	
1st preference	27,785
2nd preference	402,221
4th preference	133,266
5th preference	1,469,231
Occupational categories	
3rd preference	32,660
6th preference	100,468
Total	2,165,631

IMMIGRANT WAITING LIST BY COUNTRY OF ORIGIN

January 1989

Regions of the World	Numbers
Selected countries	403,423
Mexico	54,679
Dominican Republic	53,457
Jamaica	
Asia	422,357
Philippines	130,728
China (Mainland)	97,425
Taiwan	130,728
Vietnam	142,220
Korea	201,554
India	
Rest of world	700,967

SOURCE: United States Senate (1989).

The size of the waiting list most certainly underestimates the latent demand for would-be immigrants to the United States, because it is constrained by the current eligibility criteria for legal entry. One

indicator of a large latent demand is the 3.2 million applications that were received by the INS in March 1989 for 20,000 visas to be made available to citizens of 162 countries whose citizens received fewer than 5,000 visas in 1988 (GAO, 1989).

For the future, we can expect that the demand for immigration to the United States will increase for several reasons. First, continuing demographic pressures and slow economic growth in Third World countries will maintain, if not increase, pressures for outmigration, at least for the next decade or so. Second, even if the growth of job opportunities in Third World countries were to match demographic growth, the large earnings differentials between the United States and most sending countries would remain a potent motivation for emigration. This may be increasingly true for professionals and skilled labor, as the demand for such labor is expected to increase in the United States. Falling per capita gross domestic product has been the prevailing experience for a decade or longer for nearly all countries in Latin America (Portes, 1989). Further, the relative per capita differential between the U.S. and developing countries is not likely to decline significantly, if at all, in the immediate future.[2] Also, and paradoxically, in the short term, accelerated development in the Third World might increase outmigration: The introduction of modern forms of production and the generalization of market relations affect traditional waged and unwaged work structures; i.e., displaces many people from traditional livelihoods and past ways of life (Sassen, 1988; Massey, 1989; and Portes, 1989). Because, in the short run, economic development and growth are unable to generate sufficient opportunities for economic betterment for all, they fuel both internal migration from rural to urban areas and international migration.

A third reason is that regional political change and instability will probably continue to generate a large number of refugees and potential emigrants. Already there are more than 13 million refugees around the world. Many are from areas with a special claim on the U.S.

[2]During the late 1970s and early 1980s, real wages have declined at some time over this period in nearly all Latin American countries.

for historical, political, or family reunification reasons. These areas include: Central America (a major current source of emigration to the United States), Eastern Europe, Hong Kong, China, and the Soviet Union--all of which are expected to experience major economic and political transformations over the next decade and beyond. This is likely to increase the propensity to emigrate. And although not all emigrants from these areas will want to come to the United States, many will, as the United States contains sizable immigrant communities from these regions of the world.

A fourth reason is that other industrialized nations, most particularly the West European nations, have become increasingly restrictive in their immigration policies, making the United States a likely country of destination for would-be emigrants. The United States along with Canada and Australia are the only industrialized countries that have increased their intake of immigrants since the middle of the 1960s. West Germany and Switzerland closed the door to permanent immigration in 1975 and 1973, respectively, with the exception of family reunification and, on occasion, temporary labor. Other European countries also have imposed restrictions on foreign workers--e.g., lengthening of the period for naturalization, restrictions on the area of residence or employment--but have been less extreme than Switzerland and West Germany. As a result of these measures, the number of foreign workers in the main labor-receiving countries of Western Europe was stabilizing by 1979 (Sassen, 1988).[3] Even if these industrialized nations were to relax their immigration policies, the United States would, in all likelihood, remain attractive for most immigrants. This prospect reflects both the broader job and social mobility opportunities offered here and the extensive family and community networks that have developed over the years as a byproduct of past immigration.

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[3]Including France, the United Kingdom, Sweden, Belgium, and the Netherlands. The permanent resident immigrant population in these countries has continued to increase, however, due to family reunion and natural increase.

Finally, as noted in Sec. II, the recent dramatic growth in the number of nonimmigrant entrants to the U.S. for business, work, and education will provide an expanding pool of would-be permanent immigrants. These individuals already have experience doing business in the U.S., are often highly educated and skilled, and bring with them economic ties to sending countries. Indeed, as global economic interdependence continues to grow and absent a global recession, we can expect this potential supply of permanent immigrants to expand concomitantly.

ADMINISTRATIVE FLEXIBILITY

The legislative history of immigration policy does not bode well for the design and implementation of a policy that is sufficiently flexible to respond to short-run changes in the labor market needs of the economy. Historically, Congress has revised immigration policy once every ten to twenty years. Moreover, these policy revisions have tended to impose fixed formulas for determining the size and characteristics of annual immigration flows. But responsiveness to the needs of the labor market may well require changes in ceilings, as well as sectorial, occupational, and/ or locational specifications, more frequently, if not annually--as is the case in Canada. At a minimum, we should expect that the desired level and composition of immigration will differ between periods of high and low unemployment, particularly if policy is to minimize the displacement of native workers. Similarly, sectorial shifts in demand for labor may change fairly rapidly. Occasional legislative review of rigid ceilings and occupational, sectorial, and locational requirements is unlikely to provide the flexibility desired.

During the 1980s, Congress moved toward a recognition of the need for greater administrative flexibility. The Refugee Act of 1980, for example, requires annual legislative and executive review of the number and composition of refugees to be admitted. This flexibility has been used annually since then. The ceilings for refugee admissions has varied from a high of 217,000 in 1981 to a low of 67,000 in 1986 and back to 83,500 in 1988. The quotas of refugee admissions by region of the world has also varied.

More recently, IRCA, which was signed into law in 1986, requires setting an annual target for the number of immigrants to be admitted under the Agricultural Replenishment Program. The program will begin in 1990 and terminate in 1993 unless extended by Congress.[4] Finally, the two Congressional bills currently being considered (S 358 and HR 672) to modify legal immigration policies would require a three-year review of the ceiling imposed on the various categories of legal immigrants. Whether this kind of limited flexibility will be adequate for an effective management of the labor requirements of the economy remains to be seen. And as implied by our discussion of the labor market effects of immigration, there is no guarantee that decisions based on short-term labor market conditions will lead to optimal long-term effects, considering continuing and often unpredictable fluctuations in economic growth and labor demands.

ADMINISTRATIVE CAPACITY

There are three separate components to the issue of administrative capacity. The first concerns the adequacy of current knowledge to develop effective and reliable operational criteria to guide the selection of the number and composition of immigrants "best suited" for the U.S. labor market at any point in time. The second relates specifically to the "know how" needed to manage immigration policy. The third relates to the ability of the relevant federal agencies coordinate their activities and cooperate in the design and operation of policy.

With respect to the question of developing effective immigrant selection criteria, the limitations in data and knowledge of the short- and long-term cumulative effects of immigration on the labor market and U.S. society more broadly suggest caution. Different approaches have been used or proposed, none demonstrably "better" than the other in their ability to meet labor market needs while minimizing potential adverse effects (e.g., displacement):

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[4]The U.S. Department of Labor recently announced that because it expected no labor shortage in the agricultural sector, there would be no immigrants admitted under the RAW program in 1990, except through the RAW emergency provision.

- Certification of each immigrant's application to be submitted by the prospective employer with documentation of the employer's search effort to fill the position with a U.S. worker and the description of the position following the Department of Labor's Dictionary of Occupational Titles to assure that the employer does not tailor the job requirements so that only the would-be immigrant meets them. This is the current procedure for applications under categories 3 and 6 of the current preference immigration system.

- Selection based on the awarding of points for skills and other traits that are deemed in greater demand; e.g., age, education, occupational needs (current or anticipated), training, or work experience in demand. Current legislative proposals combine this approach with the certification procedures. This approach is also being used in Canada and Australia.

- Determination of the number of immigrants based on the unemployment rate or some other measure of aggregate economic activity at either the national, local, industry, or occupational level.[5]

- Selection based on expected labor shortages in specific occupations (e.g., nurses, bilingual teachers, and engineers). This approach is being used under IRCA's RAW program.

Critics have pointed out several weaknesses in these various approaches, noting the inadequacies and low reliability of current measures of employment activities and needs by regions, industries, and occupations and the low reliability of medium- and long-term projections of future occupational and educational demands of the labor market (Keely, 1979; GAO, 1989). Continuous adjustments in the labor market also make it difficult to assure that immigrants meeting today's labor market needs will meet tomorrow's. Granted these limitations, some of which might be alleviated over time (see below), the real test, as is so often the case in matters pertaining to the economy, is not whether a perfect match between immigration and manpower policy is feasible (it clearly will be imperfect), but whether, over the long run, placing a

[5]North and Lebel (1978), in a report they prepared for the National Commission for Manpower Policy, suggested a specific mechanism to coordinate immigration and manpower policy that would in part be guided by the "absorptive capacity"of the national economy based primarily on the unemployment rate.

greater emphasis on the labor market and educational characteristics of immigrants contributes more to the nation's economic and social development than current policy. As we noted in the previous section, even that less demanding question cannot be answered unequivocally at this time.

With a selection system developed and agreed upon, recent experience indicates that the implementation "know how" already exists or could rapidly be acquired. Currently, several federal agencies are involved in immigration issues, including the INS, the State Department, the Department of Labor, and the Department of Health and Human Services. These agencies operate a complex immigration system (see Sec. II) based on categories with widely different admission criteria and varying ceilings. This system requires an extensive review of each applicant's eligibility and involves an assessment of occupational needs across differing job categories and labor market areas.

Although some controversy continues to surround the implementation and success of IRCA,[6] there is little question that the federal agencies involved in its implementation have demonstrated the ability to design and operate new and large complex programs with precious little lead time. Lacking any prior experience with legalization, the INS nonetheless designed and implemented a legalization program that eventually accepted more than three million applications in the span of less than two years. Given this experience, and without passing judgment regarding efficiency (for there were problems), there is no reason to believe that the administrative capacity needed to implement a labor market-targeted immigration policy would be lacking.

The issue of coordination and cooperation, however, may be another matter. Currently, the responsibility for formulating and carrying out immigration policy is diffused throughout the Executive Branch, Congress, the INS, the State Department, and the Departments of Labor, Agriculture, and Health and Human Services, not to mention state and local governments and even various public and private agencies. No

[6]For a descriptive assessment of the early implementation of IRCA's legalization programs, see Bean, Vernez, and Keely (1989).

agency stands at the center and none is responsible for reviewing and monitoring the spillover effects among these various areas. Instead, major immigration policy reforms have, at least recently, originated with Congress. The agencies responsible for implementing policy are all subagencies within the various departments of the Executive Branch, whose primary objectives are focused elsewhere. The agency most directly associated with immigration, the INS, is basically an administrative enforcement office, located within a department (Justice) whose connection to immigration may be marginal at best.

This diffusion of responsibility is a problem for both the design and operation of immigration policy. Since the number of yearly immigrants will contribute an increasing and, hence, more visible proportion of both the labor force and the school-age population, this diffusion of responsibility raises the question as to whether the formulation and coordination of immigration policy needs to be centered at a higher, more visible level within the Executive Branch.

EFFECTIVE ENFORCEMENT OF IMMIGRATION LAW

The implementation of an effective immigration policy requires that only immigrants who qualify for admission actually enter the country. Large-scale illegal immigration will inevitably limit the effectiveness of any immigration policy, and most particularly one that would seek to target directly the labor market needs of the economy. To consider how effectively such a policy might be enforced, it is instructive to look at how the relevant agencies are attempting to enforce the provisions of IRCA.

IRCA was designed to control illegal immigration through the use of employer sanctions. These sanctions: (1) prohibit all employers in the nation from hiring undocumented workers, (2) require all employers to complete an employment eligibility verification form (I-9) for each new employee, and (3) provide for graduated civil and criminal penalties for employers of undocumented workers. To foreclose the possibility that employers might respond to these sanctions by discriminating against "foreign-looking" but documented workers, Congress incorporated in the

law a prohibition to keep employers of four or more workers from discriminating in recruitment, hiring, or discharging on the basis of a person's national origin or citizenship. Enforcement of this provision is assigned to a newly created Office of Special Counsel (OSC) in the Justice Department.

It remains to be seen how effective these provisions will be in reducing illegal immigration to the United States. The sanctions themselves are being phased in over time, and by late 1989, the INS continued to be more in an education mode, seeking voluntary compliance, than in an "enforcement" mode. Indications suggest that one out of two employers was fully or partially complying and nearly half of those who were not in compliance were not fully aware of IRCA's requirements. Recently, the INS has begun to use the threat of sanctions more frequently but has yet to increase the frequency of inspections or the average fine for noncompliance. There appears to be a variation in enforcement across INS regions and districts (Bean, Vernez, and Keely, 1989).

At the same time that INS management was concentrating its attention and available resources on legalization and employer sanctions, its enforcement efforts against illegal immigration declined to levels below those immediately preceding IRCA's enactment. This situation resulted partly from delays in increasing the number of staff assigned to the Border Patrol, which was, in turn, a result of Congressional delays in making the necessary budget appropriations, and from INS difficulties in hiring and training the appropriate staff. In addition, the INS Border Patrol's functions were expanded to include: (1) the involvement of border patrol personnel in employers' education and enforcement activities and (2) the designation in 1986 of the INS border patrol as the prime "interdictor" of drug traffic across U.S. land borders. Neither of these functions was originally anticipated by IRCA (Bean, Vernez, and Keely, 1989).

In the end, we believe that the effectiveness of the employer sanctions will depend largely on the handling of three issues. The first is whether an enforceable and relatively fraudproof documentation

system is developed. Currently, documentation is vulnerable to fraud because a large number of documents, many of them easily counterfeited, can be used to prove eligibility (Bean, Vernez, and Keely, 1989).[7] Moreover, employers face a difficult task complying with the law because they cannot be expected to be expert on the large number of acceptable documents, nor can they reasonably be expected to become expert at identifying fraud. Reducing the number of acceptable documents may be necessary and desirable to reduce fraud (GAO, 1988a). It would also have the benefit of reducing potential discriminatory practices by making enforcement easier (Vernez, forthcoming). The second issue is how enforcement of IRCA employer requirements is coordinated with the enforcement of other labor laws. The European experience with similar laws suggests that this is a key element of a successful sanctions program[8] (Lovell, 1987). Finally, adequate funding by Congress and the Executive seems to be a prerequisite for effective employer sanctions. In other words, the nation must demonstrate its commitment to enforcing IRCA by providing the funds needed for this task. Federal budget constraints, and pressures to reduce the budget deficit, may well put enforcement low on the scale of the nation's priorities.

ADEQUATE FUNDING

Although it may seem to be pointing out the obvious to state that funding must be commensurate with the job at hand, in the case of immigration, this bears repeating. The INS has traditionally been underfunded. For instance, it was not until the early 1980s, after the interest expressed by then Attorney General William French Smith, that

[7]The full extent of fraudulent use of documents is unknown but potentially widespread. A limited survey by the GAO of employed unauthorized aliens hired between September 1987 and October 1988 found that 39 percent had provided or were suspected of using counterfeit documents, primarily fake Social Security or alien registration cards (GAO, 1988b).

[8]Currently both the INS and Department of Labor are involved in the enforcement of employer sanctions, but coordination between these two agencies is still in the development stage. Two recently released studies, GAO (1990) and Fix and Hill (1990), seem to echo this assessment.

Congress increased the INS budget to allow it to begin modernizing its record-keeping activities and to use modern equipment in its border enforcement well after most other federal agencies had modernized. Similarly, Congress was slow in appropriating the funds specified in IRCA to increase INS Border Patrol personnel and in later providing funding for enforcement of IRCA's "employer sanctions."

In addition to limiting an agency's operating capability, chronic underfunding typically has a disproportionate effect on its ability to collect the very information needed to monitor the implementation of a policy and assess its effects. Constraints on an agency's ability to conduct ongoing policy and program evaluations, in turn, constrain the ability of the administration and Congress to formulate policy, a final issue we turn to now.

ONGOING POLICY EVALUATION

As the debate preceding passage of IRCA and the current debate about the Senate bill (S 358) made painfully clear, there is a dearth of information about immigrants and their experience in this country. It is very difficult to design effective policy in an information vacuum. This is particularly true in three key areas. First, few data are collected on the characteristics of permanent and temporary immigrant arrivals, much less on their subsequent labor force experience.[9] Second, there is virtually no information about the labor force experience of immigrants who enter under different categories, including the temporary immigrant categories. There may be categorical differences in labor force participation and mobility, both short and long term, but we have no data to verify those differences and, hence, cannot identify the types of tradeoffs involved in changing the priority given to these different categories. Third, we know little about (and have had little experience with) the cumulative effects (both short

[9]For instance, the data collected on nonimmigrant arrivals are meager. Data were not collected by sex until 1986, and occupational data are collected only for groups of nonimmigrants (H-1, H-2, J-1, and L-1) and are reportedly incomplete (U.S. Department of Labor, 1989).

and long term) of sustained high levels of immigration and the degree of cultural and linguistic diversity that the country is experiencing today.

A first step toward remedying this situation was taken when IRCA mandated the president to submit to Congress a comprehensive immigration-impact report every three years. Five-year projections on several topical areas, including the effects of immigrants, refugees, asylum seekers, and parolees on the economy, are also to be made in that report, eventually offering an opportunity to reassess immigration policy every three years. Also, S 358, if enacted by the full Congress, would create an independent commission to report every year on the effects of immigration in our country. But that may not be enough. These mandates do not cover temporary immigrants, which may be equally critical for the nation's interests.

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